TOWN OF PROSPER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2017

Town of Prosper, Texas

"Prosper is a place where everyone matters."

TOWN OF
PROSPER

Town of Prosper, Texas

"Prosper is a place where everyone matters."

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2017

Prepared by the

Town of Prosper, Texas

Finance Department

Kelly Neal - Director of Finance

Betty Pamplin - Accounting Manager

Town Manager

Harlan Jefferson

Town Council

Ray Smith, Mayor

Curry Vogelsang, Jr., Mayor Pro-Tem

Jason Dixon, Deputy Mayor Pro-Tem

Michael Korbuly, Council Member

Kenneth Dugger, Council Member

Meigs Miller, Council Member

Jeff Hodges, Council Member

TOWN OF PROSPER

TOWN OF
PROSPER

TOWN OF PROSPER, TEXAS
Comprehensive Annual Financial Report
Year Ended September 30, 2017

TABLE OF CONTENTS

INTRODUCTORY SECTION (unaudited)

Page

Letter of Transmittal i
Certificate of Achievement vii
Organizational Chart viii
List of Principal Officials ix

FINANCIAL SECTION

Independent Auditor's Report 1
Management's Discussion and Analysis (unaudited) 3
Basic Financial Statements:
Government-Wide Financial Statements:
Statement of Net Position 12
Statement of Activities 13
Fund Financial Statements:
Balance Sheet – Governmental Funds 15
Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Position 17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 18
Reconciliation of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities 20
Statement of Net Position – Proprietary Funds 21
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds 22
Statement of Cash Flows – Proprietary Funds 23
Notes to Financial Statements 24

Required Supplementary Information (unaudited):
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – General Fund 45
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – Impact Fees Fund 46
Schedule of Changes in Net Position Liability and Related Ratios – Texas Mutual Retirement System 47
Schedule of Employers Contributions – Texas Municipal Retirement System 48
Notes to the Required Supplementary Information 49

Combining and Individual Fund Schedules:
Major Governmental Funds:
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – Debt Service Fund (unaudited) 51
Nonmajor Governmental Funds:
Combining Balance Sheet 54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 56
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – Prosper Christmas Fund (unaudited) 58
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – Court Technology Fund (unaudited) 59

TABLE OF CONTENTS (continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – Court Security Fund (unaudited) 60
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – Parks Dedication Fund (unaudited) 61
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – Parks Improvement Fund (unaudited) 62
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – TIRZ1 Fund (unaudited) 63
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – TIRZ2 Fund (unaudited) 64
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – Contributions Fund (unaudited) 65
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – Economic Development Corporation (unaudited) 66

STATISTICAL SECTION

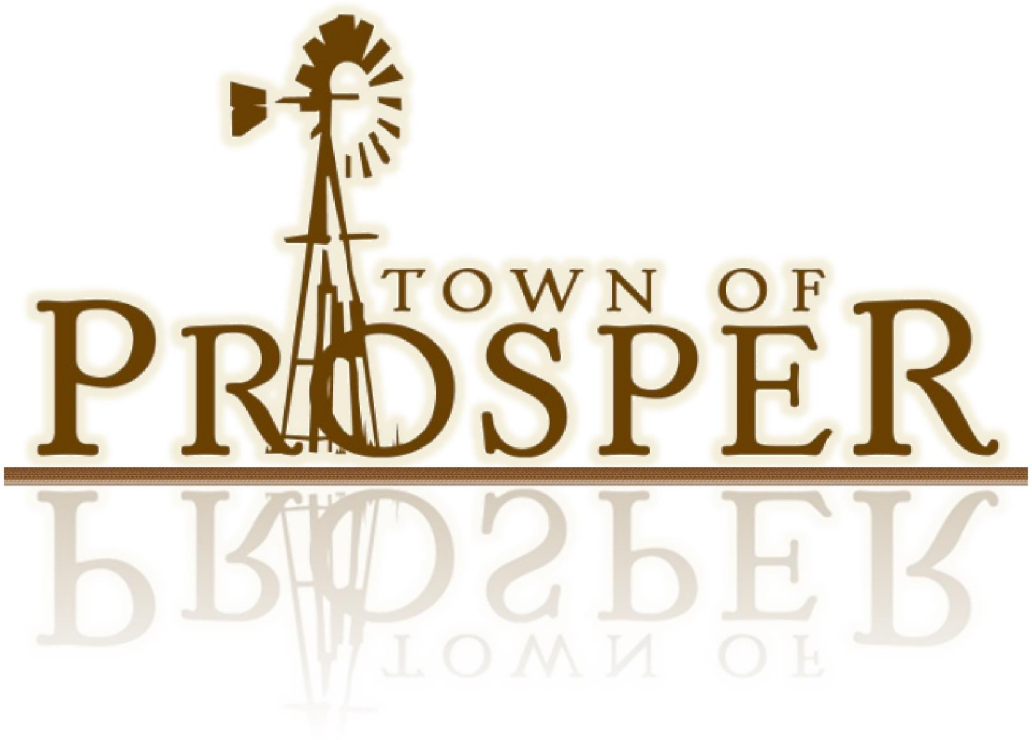
Financial Trends:
Net Position by Component 68
Changes in Net Position 70
Fund Balances of Governmental Funds 72
Changes in Fund Balances of Governmental Funds 74

Revenue Capacity:
General Governmental Tax Revenues by Source 76
Assessed Value and Estimated Actual Value of Taxable Property 77
Property Tax Rates – Direct and Overlapping Governments 78
Property Tax Levies and Collections 79
Principal Property Taxpayers 80

Debt Capacity:
Ratios of Outstanding Debt by Type 81
Ratios of General Bonded Debt Outstanding 82
Direct and Overlapping Governmental Activities Debt 83
Tax Rate Information 84

Demographic and Economic Information:
Demographic and Economic Statistics 85
Principal Employers 86

Operating Information:
Operating Indicators by Function/Program 87
Full-Time Equivalent Town Government Employees by Function 89



INTRODUCTORY SECTION

TOWN OF
PROSPER

TOWN OF
PROSPER
"A Place Where Everyone Matters"

PO Box 307 • 121 W. Broadway • Prosper, Texas 75078 • 972.346.2640 • Fax: 972.346.9335

March 9, 2018

To the Honorable Mayor, Members of Town Council, and
Citizens of the Town of Prosper, Texas

The Town's management staff is pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the Town of Prosper ("Town") for the fiscal year ending September 30, 2017. The Town's management assumes responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects. The data is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. To enable the reader to gain an understanding of the Town's financial activities, all necessary disclosures have been included.

The Town is required to obtain an annual audit of the books of account, financial records, and transactions of all administrative departments of the Town. The Town's financial statements have been audited by McConnell and Jones, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town for the fiscal year ended September 30, 2017, are free of any material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ended September 30, 2017, are fairly presented in conformity with Generally Accepted Accounting Principles ("GAAP"). The independent auditor's report is presented as the first component of the financial section of this report.

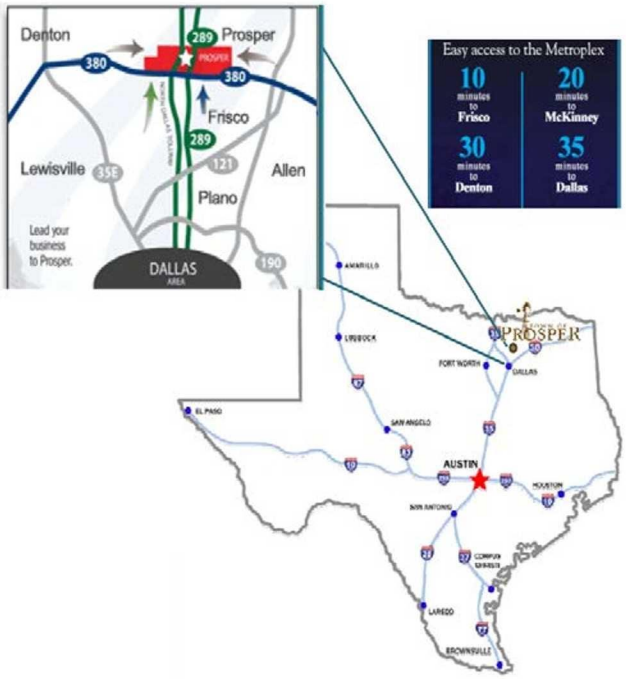
The Reporting Entity

The Town is a political subdivision and a home rule municipality under the laws of the state. A Home Rule Charter was approved by the voters of the Town at an election held November 7, 2006, and revised on May 14, 2011 and May 6, 2017. The Town operates as a Council-Manager form of government with the Town Council comprised of the Mayor and six Council members. The term of office is three years. The Town Manager is the chief executive officer of the Town.

Services the Town provides include: public safety (police, fire protection, and dispatch), and municipal court, public streets, water/wastewater and storm drainage utilities, parks and recreation, library, public improvements, engineering, planning and zoning, building inspections and code compliance, economic development and general administrative services. Some services such as legal and solid waste/recycling are outsourced in full or in part to the private sector.

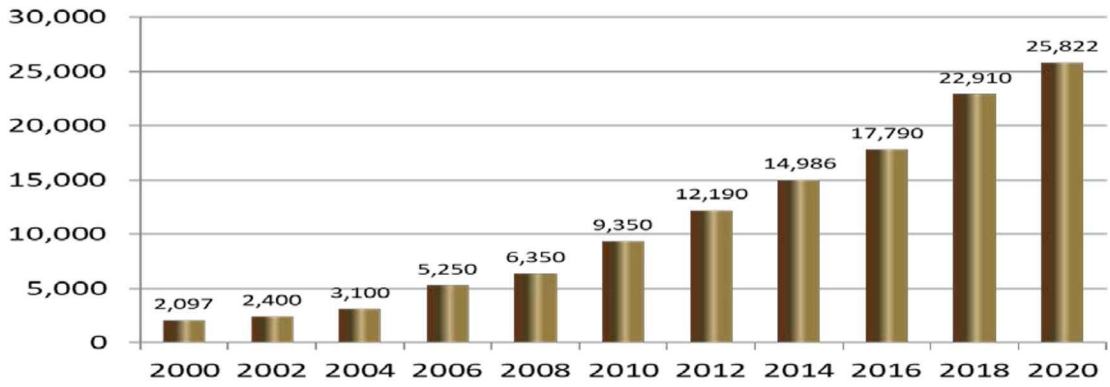
www.prospertx.gov

The Town is located in North Central Texas, and covers approximately 27 square miles of the Dallas/Fort Worth Metroplex ("DFW"). Prosper includes areas in Collin and Denton Counties, with most of the Town's population residing in Collin County. The Town is located at the crossroads of Preston Road and US Highway 380, and is just five minutes north of the bustling Dallas North Tollway cities of Frisco and Plano.



The Town is home to first rate education and state championship sports teams, picturesque ranches and other amenities. Access to the DFW area, coupled with a commitment to maintain a high standard of living has created rapid growth for the Prosper community. This pace is expected to increase sharply over the ensuing years.

The 2000 Census population for the Town was 2,097, and the 2018 estimate is 22,910.



Source: Population estimates to date are from North Central Texas Council of Governments. Future estimates are from Town of Prosper staff.

History of Prosper

Prosper began with the first settlers arriving in the area in 1846. Those who settled here were drawn to North Texas' fertile black prairie soil perfect for thriving cotton crops in a time when cotton was "King." Between 1850 and 1902, two settlements coexisted. One community, two miles south of the present town, was Rock Hill. The second community, one mile north, was Richland. The development of these small communities was expedited in 1876 when County Courts ordered small tracts of land to be established for quick sale. These tracts, approximately 160 acres in size, were sold for $3.50 per acre. Dr. A. T. Bryant of McKinney purchased one of the tracts, which later became the geographic nucleus for the Town of Prosper.

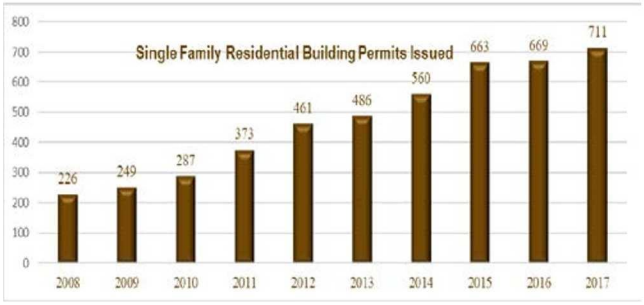
The establishment of the St. Louis & San Francisco Railroad in March of 1902 created the change that forced the communities of Rock Hill and Richland to merge forming the Town of Prosper. For years, Prosper was the central stop for the railroad between Dallas and Sherman. When community officials applied for a Post Office with the name "Richland," they were informed that city name was already taken. Postmaster B.J. Naugle asked for an alternative name and J.C. Slaughter suggested the name Prosper. A new name was adopted for the hybrid community – one that spoke of the prosperous living conditions and the prosperous crops harvested that year.

The Town of Prosper was incorporated in 1914 with a Commission form of government and a population of 500. U.N. Clary was Mayor and served in that position for 49 years. The introduction of the automobile sparked the evolution of people moving in and out of the rural community. Following the war and the depression, the mechanization of farming provided the next big impact on Prosper's population. Beginning in the 1980's, Fortune 500 companies began relocating to the DFW area, spurring growth of the Metroplex, and a renewed interest in families wanting to live in Prosper.

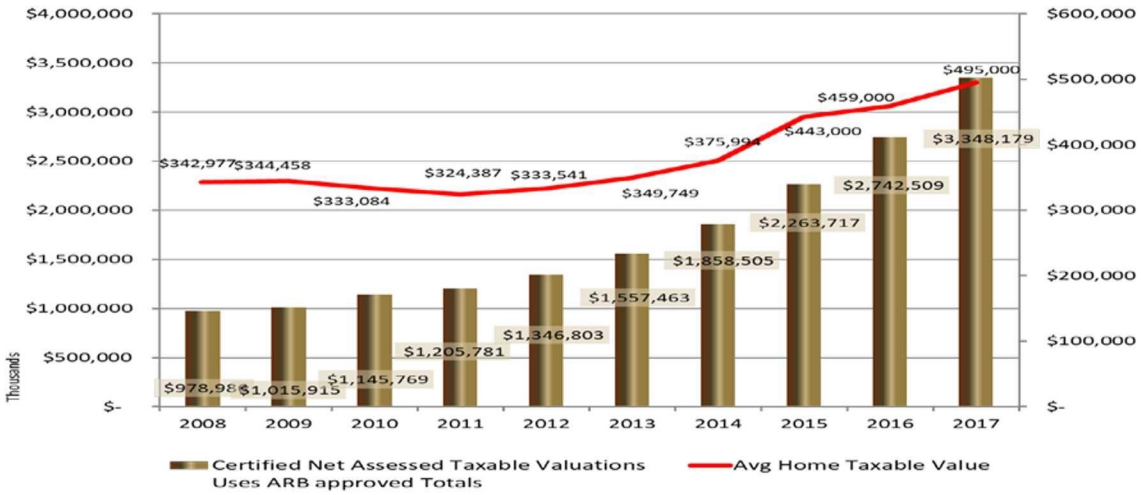
Prosper has managed to retain its country charm by carefully managing growth in accordance with a Comprehensive Land Use Plan, a Parks & Open Space Plan, and a Capital Improvements Plan. Unlike the Cities of Dallas, Plano, and Frisco located to the south, Prosper is characterized by a variety of single-family neighborhoods consisting of estate-size lots and master planned neighborhoods. While residential growth remains strong, the Town is carefully evolving from a bedroom community of 20,000+ residents to a full service town with 1.5M square feet of retail, office and commercial uses under construction and another 100,000 square feet of shovel ready non-residential uses approved for construction. In 2017 alone, 53 new businesses opened.

The Economic Outlook

The Town continues to experience new home permits at a record pace and benefits tremendously from its location. Prosper, while not immune from economic pressures, has thrived more than most DFW communities. According to a May 21, 2014, article by the Dallas Morning News and the US Census Bureau, Prosper was the second fastest growing community in North Texas in 2014. Excluding the price of the lot, the new homes in 2017 averaged $495K.

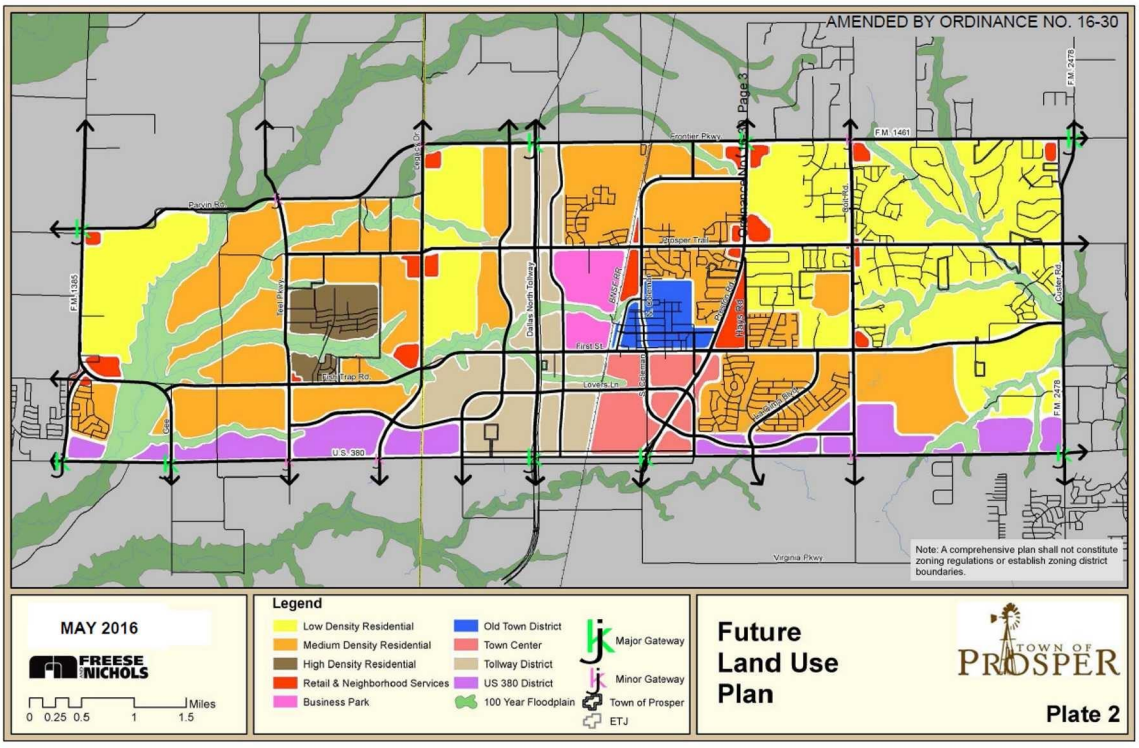


Source: Collin CAD and Denton CAD Certified Totals 2008-2017



The Town has maintained significant growth. Certified property valuations increased by $605M (22.08%) for FY 2017-2018, from $2,742.5M to $3,348.1M. Most of the Town's current values come from Collin County properties, but the Denton County portion is experiencing new developments. This year the Town's value in Denton County increased more than 85%.

The economy influences the timing of population increases and the types of development that occur will affect the build-out of the Town. The Town Council adopted a new Comprehensive Plan in 2012 and annually reviews the Plan in response to changing market conditions. Policy-makers and Town staff use this document as a guide while reviewing development projects, the Town budget, prioritizing capital improvement projects, and drafting ordinances to direct growth that leads to the established vision. The Future Land Use Plan (below) graphically sets an overall framework for the preferred pattern of development within Prosper.



To enhance existing policies that addresses fund balance levels that provides for sufficient cash flow for daily financial needs and secure and maintain investment grade bond ratings, it also establishes a minimum fund balance equal to 5% of budgeted expenditures for unanticipated expenditures as well as a 20% restricted fund balance required by the Town Charter. The Town Council adopted in 2017 a new comprehensive debt management policy that established debt limits to target. The Town Council has continued its implementation of rate recommendations that support the adopted Water and Wastewater Utility Comprehensive Business Plan. The Plan contains recommendations to enhance revenues, to establish at least a 90-day operations and maintenance reserve, and to fund an annual contribution of 2% to a capital replacement program. More detailed revenue information can be found in the MD&A section of the financial section of this CAFR.

The DFW Metroplex continues to outperform most other major metropolitan areas for job growth and stability. Town staff believes Prosper will maintain steady economic development as retail and other commercial services follow the rapid increase in new roof tops.

Accounting System and Budgetary Control

Town management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft, or misuse. Management must also ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

The Town's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues recognized when measurable and available, and expenditures recorded when the liability is incurred. Proprietary operations are maintained on a full accrual basis.

The objective of budgetary controls is to ensure compliance with legal provisions contained in the annual budget approved by the Town Council. The annual budget is developed and controlled at the department level, and serves as the foundation for the Town's financial planning and control. The budget is prepared by fund and department (e.g. General Fund – Police, General Fund – Fire, Water/Wastewater Fund – Utility Billing). Department Heads may transfer resources within a department with the Finance Director's approval. Any amendments or additional funding requests for appropriations over that of the budgeted department level total are approved by the Town Council, even though the Town Charter limits are at the fund level.

The accompanying CAFR incorporates all funds of the Town and includes all government activities, organizations and functions for which the Town is financially accountable. The criteria used in determining activities to be reported within the Town's basic financial statements are based upon and consistent with those set forth by the Governmental Accounting Standards Board.

On May 6, 1995, Town of Prosper voters approved the 4A Sales Tax proposition, which increased the sales and use tax by ½ of 1% for the promotion and development of new and expanded business enterprises. The 4A funds account for the local sales tax used to encourage additional private investment that will increase and diversify the tax base, create jobs, lower residential taxes, increase the number of retail, commercial and industrial companies locating to the Town and improve Prosper residents' quality of life. The Economic

Development Corporation is Town-chartered and governed by a seven-member Board of Directors appointed by the Town Council. The Town has included the financial statements for the Prosper Economic Development Corporation in its government-wide and government fund financial statements.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Prosper, Texas, for its comprehensive annual financial report for fiscal year ended September 30, 2016. The Town has received a Certificate of Achievement for the last seven consecutive years. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe the current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA for consideration.

Acknowledgements

The preparation of this report could not be accomplished without the efficient and dedicated services of the Finance Department staff. I would like to express my appreciation to all employees who contributed to its presentation. Acknowledgement is also given to the representatives of McConnell and Jones, LLP for their assistance in this year's report with special thanks to Marlon Williams, the Audit Manager for this engagement.

I would also like to thank the members of the Town Council for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,

Harlan Jefferson
Town Manager

Kelly Neal
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Prosper

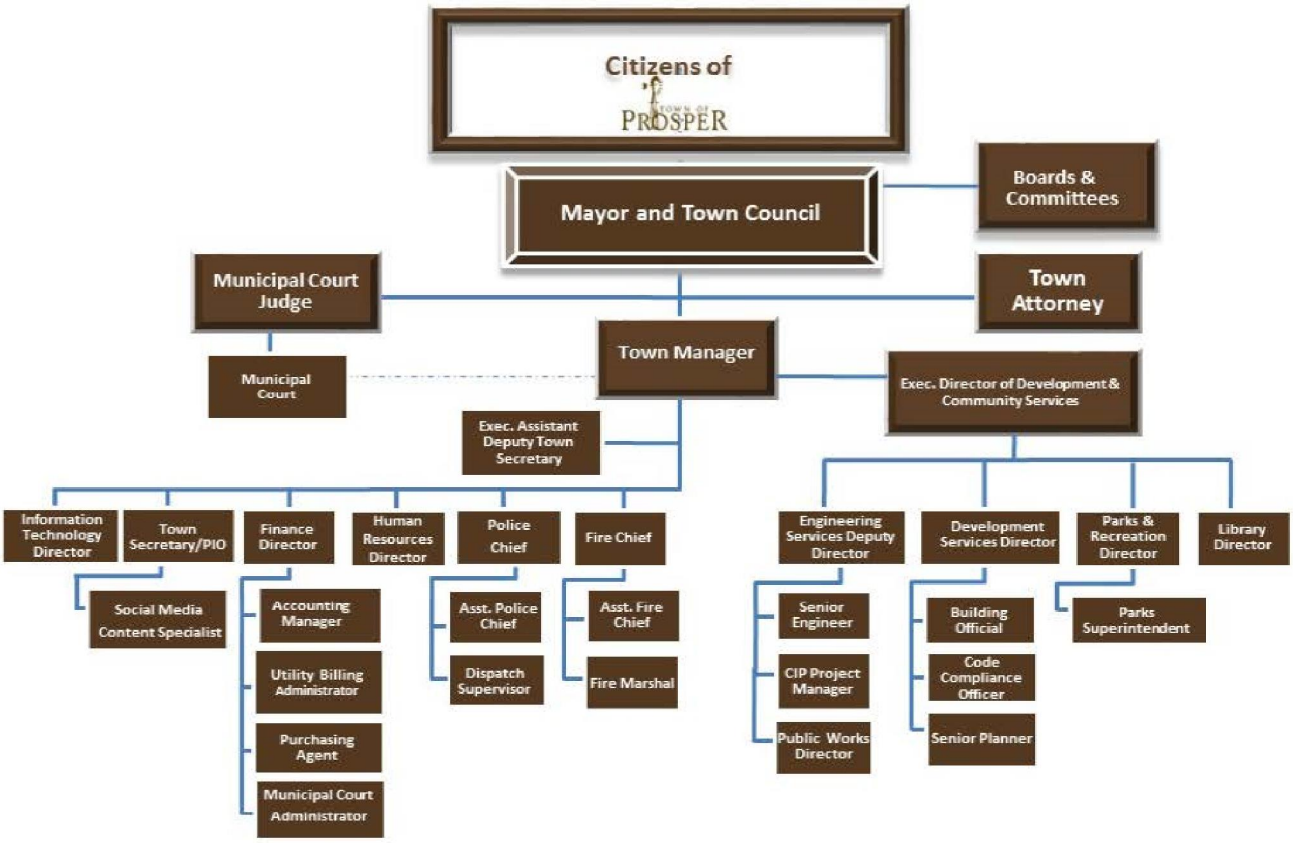
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO


Citizens of
PROSPER
Mayor and Town Council
Boards & Committees
Municipal Court Judge
Town Attorney
Municipal Court
Town Manager
Exec. Director of Development & Community Services
Exec. Assistant Deputy Town Secretary
Information Technology Director
Town Secretary/PIO
Finance Director
Human Resources Director
Police Chief
Fire Chief
Engineering Services Deputy Director
Development Services Director
Parks & Recreation Director
Library Director
Social Media Content Specialist
Accounting Manager
Utility Billing Administrator
Purchasing Agent
Municipal Court Administrator
Asst. Police Chief
Dispatch Supervisor
Asst. Fire Chief
Fire Marshal
Senior Engineer
CIP Project Manager
Public Works Director
Building Official
Code Compliance Officer
Senior Planner
Parks Superintendent

Town of Prosper, Texas

LIST OF PRINCIPAL OFFICIALS

Fiscal Year Ended September 30, 2017

Town Council

Mayor — **Ray Smith**

Council Member Place 4, — **Meigs Miller**

Council Member Place 3, Mayor Pro-Tem — **Curry Vogelsang, Jr.**

Council Member Place 2, — **Kenneth Dugger**

Council Member Place 1 — **Michael Korbuly**

Council Member Place 5 — **Jeff Hodges**

Council Member Place 6, Deputy Mayor Pro-Tem — **Jason Dixon**

Appointed Officials

Town Manager — **Harlan Jefferson**

Town Secretary — **Robyn Battle**

Chief of Police — **Doug Kowalski**

Fire Chief — **Stuart Blasingame**

Executive Director of Development and Community Services — **Hulon Webb**

Director of Finance — **Kelly Neal**

Director of Development Services — **John Webb**

Director of Human Resources — **Lashon Ross**

Director of Public Works — **Frank Jaromin**

TOWN OF
PROSPER

FINANCIAL SECTION

TOWN OF PROSPER

This Page Intentionally Left Blank

MJ
McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Honorable Mayor and Members of the Town Council
Town of Prosper, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Prosper, Texas (the "Town"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11; the statements of revenues, expenditures, and changes in fund

4828 Loop Central Drive
Suite 1000
Houston, TX 77081
Phone: 713.968.1600
Fax: 713.968.1601

WWW.MCCONNELLJONES.COM

balance – budget and actual for the General and Impact Fees funds on pages 45 and 46, respectively; and the pension plan schedules on pages 47 and 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, the combining and individual fund schedules, and the statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, individual fund schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

McConnell & Jones

Houston, Texas
March 9, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Page Intentionally Left Blank

As management of the Town of Prosper, Texas (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2017.

Financial Highlights

- The assets of the Town of Prosper, on a government-wide basis, exceeded its liabilities as of September 30, 2017 by $138,935 (net position). Of this amount, $50,909 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

- The Town's total net position increased by $13,829. Most of the increase is due to property taxes, sales taxes, unrestricted investment earning and water and sewer charges for services.

- As of the close of the current fiscal year, the Town of Prosper's governmental funds reported combined ending fund balances of $42,812 (made up of $12,304 in General Fund, $5,489 in Impact Fee Fund, $2,147 in Debt Service Fund, $12,223 in Capital Projects Fund and $10,648 in other governmental funds), a decrease of $7,918 in comparison with the prior year. The decrease is primarily due to the split of impact fees into business type and governmental type fees in the current year's presentation.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $8,548 or 46.26% percent of total current fiscal year General Fund expenditures and is available for spending at the Town's discretion.

- The Town's long-term liabilities increased by $8,474 during the year primarily due to issuance of the 2017 Certificates of Obligation for $11,565, premiums on debt issuances of $1,266, and an increase in the net pension liability of $123.

- The Town's capital assets increased by $25,906, primarily due to additional capital projects funded by bond proceeds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Prosper's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the time of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, recreation, and transportation. The business-type activities of the Town include the water and sewer system, as well as sanitation collection and disposal, and storm drainage.

The government-wide financial statements include not only the Town of Prosper itself (known as the primary government), but also a legally separate economic development corporation. Financial information for this component unit is reported as blended with the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 12-14 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Prosper, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town of Prosper can be divided into two categories: governmental funds and proprietary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Prosper maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Impact Fees Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and certain budgetary schedules in this report on pages 52-66. The basic governmental fund financial statements can be found on pages 15-19 of this report.

The Town adopts an annual appropriated budget for its General Fund, Debt Service Fund, and Impact Fee Fund and several of the non-major governmental funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

Proprietary funds – The Town maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer, sanitation, and storm drainage activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The Internal Service Fund is used to accumulate and allocate costs internally among the Town's various functions. The Town uses its Internal Service Fund to account for its vehicle and equipment replacement program and employee health insurance program. Because these services predominately benefit the governmental rather than the business-type functions, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 21-23.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-44 of this report.

Other Information – In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding pension benefits to

its employees and the budgetary schedule of the General and Impact Fee funds. The required supplementary information can be found on pages 45-50.

The combining statements referred to earlier in connection to the non-major governmental funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by $138,935 at the close of the most recent fiscal year.

A portion of the Town's net position (54.53%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town of Prosper uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (8.83%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (36.64%) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position, both for the Town as a whole, as well as for its separate governmental and business-type activities.

Town of Prosper's Net Position
Government-Wide
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 54,235	$ 58,514	$ 9,223	$ 8,934	$ 63,458	$ 67,448
Intangible assets	-	-	15,267	15,579	15,267	15,579
Restricted assets	-	-	10,704	4,183	10,704	4,183
Capital assets	113,883	93,472	39,741	34,245	153,624	127,717
Total assets	168,118	151,986	74,935	62,941	243,053	214,927
Deferred outflows of resources	2,479	2,413	432	442	2,911	2,855
Total outflows of resources	2,479	2,413	432	442	2,911	2,855
Long-term liabilities	62,264	52,817	32,568	33,542	94,832	86,359
Other liabilities	9,581	5,554	2,447	665	12,028	6,219
Total liabilities	71,845	58,371	35,015	34,207	106,860	92,578
Deferred inflows of resources - pensions	147	84	22	13	169	97
Total inflows of resources	147	84	22	13	169	97
Net position:						
Net investment in capital assets	63,158	60,997	12,598	4,772	75,756	65,769
Restricted	7,549	14,307	4,722	-	12,271	14,307
Unrestricted	27,898	20,640	23,010	24,391	50,908	45,031
Total net position	$ 98,605	$ 95,944	$ 40,330	$ 29,163	$ 138,935	$ 125,107

Town of Prosper's Changes in Net Position
Government-wide
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 5,808	$ 5,154	$ 14,539	$ 13,495	$ 20,347	$ 18,649
Operating grants & contributions	198	127	-	-	198	127
Capital grants & contributions	6,869	15,639	5,949	-	12,818	15,639
General revenues:						
Property taxes	14,668	12,880	-	-	14,668	12,880
Other taxes	8,005	6,346	-	-	8,005	6,346
Other income	860	558	266	193	1,126	751
Total revenues	36,408	40,704	20,754	13,688	57,162	54,392
Expenses:						
General government	2,886	2,125	-	-	2,886	2,125
Police	3,026	2,340	-	-	3,026	2,340
Dispatch	834	626	-	-	834	626
Court	303	297	-	-	303	297
Fire	5,093	3,765	-	-	5,093	3,765
Streets	5,974	6,701	-	-	5,974	6,701
Parks and recreation	3,143	2,763	-	-	3,143	2,763
Library	214	210	-	-	214	210
Engineering	855	731	-	-	855	731
Inspections	1,426	1,346	-	-	1,426	1,346
Code enforcement	176	171	-	-	176	171
Planning	541	512	-	-	541	512
Economic development	1,880	919	-	-	1,880	919
Interest on long-term debt	1,774	1,571	-	-	1,774	1,571
Utility	-	-	15,209	10,523	15,209	10,523
Total expenses	28,125	24,077	15,209	10,523	43,334	34,600
Revenues in Excess of Expenses	8,283	16,627	5,545	3,165	13,828	19,792
Transfers	(5,622)	(1,751)	5,622	1,751	-	-
Change in net position	2,661	14,876	11,167	4,916	13,828	19,792
Net position - beginning of year	95,944	81,068	29,163	24,247	125,107	105,315
Net position - end of year	$ 98,605	$ 95,944	$ 40,330	$ 29,163	$ 138,935	$ 125,107

The following key elements influenced the changes in net position from the prior year:

Revenues for FY 2016-2017 increased by $2,770 or 5% in comparison to the prior year. The increase is primarily due to increases in sales taxes, property taxes, and charges for services. Property taxes and sales taxes increased $3,217 from prior year due to increased assessed value and growth in the Town. Water and sewer charges for services increased $1,044 over the prior year due to the growth with the town and increase usage of services. The overall growth in revenues was muted by the decrease in capital grant contributions due to the drop in escrow revenue and impact fees.

Governmental Activities

Governmental activities increased the Town's net position by $2,662.

- Impact fee collections decreased by $6,307 (66%) primarily due to management separating impact fee revenues between governmental and business type activities.
- Property and sales taxes increased by $3,217 (17%) primarily due to increases in the Town's property tax base and economic development within the Town.
- Total governmental activity charges for services increased by $654 (13%) primarily due to continued Town growth and an increase in building permit fees collected.
- Total governmental activity expenses increased by $4,048 (17%) during the year primarily due to the overall growth that the Town has experienced. The largest functional areas affected by this growth were police($686), fire($1,328) and economic development ($961).

Business-type Activities

Business-type activities increased the Town's net position by $11,167.

- Operating revenue increased by $1,044 (8%) from the previous year due to an increase in water and sewer charges for service.
- Operating expenses increased by $4,687 (45%) from the previous year due to an increase in contractual services.
- The remainder of the change was primarily related to management's decision to identify the split of the impact fees fund between governmental and business-type activities in the current year.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported to combined ending fund balances of $42,812, a decrease of $7,918 from the prior year. Most of the decrease is due to management separating water and wastewater impact fees from governmental funds to enterprise funds and increased expenditures on capital projects. Of the current combined ending fund balance, $61 is nonspendable due to prepaids, $20,157 is restricted for debt

service and capital projects, $3,696 is committed for contingency in accordance with the Town charter, $10,316 is assigned for specific purpose such as impact fees and other specific purposes, and $8,548 is unassigned.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was $8,548. Total unassigned fund balance represents 46.26% of total General Fund expenditures. The increase in fund balance of $2,276 is primarily due to increases in property and sales taxes, fines, fees, warrants, and seizures and investment income.

The Impact Fee Fund has a total fund balance of $5,489; which is restricted for capital projects. The decrease in fund balance of $6,931 is due to transfers out to the capital projects fund for qualifying projects.

The Debt Service Fund has a total fund balance of $2,147; all of which is restricted for payment of debt service. The increase in fund balance of $306 is primarily due to an increase in property tax revenues during the year.

The Capital Projects Fund has a total fund balance of $12,223; all of which is restricted for construction. The decrease in fund balance of $6,398 is primarily due to increased capital outlay.

Proprietary funds – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to $23,036. The increase in total net position of the Water and Sewer Fund was $9,904. Unrestricted net position for the Stormwater Drainage Utility Fund at the end of the year amounted to a deficit of ($26). The increase in total net position of the Stormwater Drainage Utility Fund was $1,263. The factors concerning the finances of these funds have already been addressed in the discussion of the Town's business type activities.

General Fund Budgetary Highlights

Original budget compared to final budget – During the year, amendments to increase the original budgeted revenue resulted from unanticipated sales tax, license and permits. Other budget amendments include increase expenditures as a result of a compensation plan adjustment ($956), along with corresponding appropriations that were added to the budget from carryover for encumbrances from the prior year ($103). Generally, the movement of the appropriations between departments was not significant.

Final budget compared to actual results **–** During the year, revenues were $2,641 more than estimated and expenditures were $1,438 less than budgeted. The majority of the excess revenues arose from sales and franchise taxes, fines and fees, warrants, and seizures, and miscellaneous. The majority of expenditure savings was in parks and recreation, followed by inspections and fire. The positive variances in revenues and expenditures allowed for transfers of $55 for cash financing of capital projects. With the transfers, fund balance increased by $2,276.

Capital Assets and Debt Administration

Capital assets – The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2017 is $75,756 (net of accumulated depreciation). This investment in capital assets includes land, buildings and infrastructure, and equipment.

Major capital asset events during the current fiscal year included the following:

- Capital asset acquisitions in governmental activities totaled $24,409. The majority of this activity was funded from bond proceeds and was for streets, parks, and related infrastructure.

- Capital asset additions in business-type activities totaled $6,625. The majority of this activity was funded from bond proceeds and was for new water and sewer projects.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Government-wide capital assets:						
Non-depreciable assets	$ 38,938	$ 26,409	$ 7,546	$ 3,419	$ 46,484	$ 29,828
Depreciable assets	102,505	90,733	40,721	38,239	143,226	128,972
Total capital assets	141,443	117,142	48,267	41,658	189,710	158,800
Less: accumulated depreciation	(27,560)	(23,670)	(8,526)	(7,413)	(36,086)	(31,083)
Government-wide capital assets, net	$ 113,883	$ 93,472	$ 39,741	$ 34,245	$ 153,624	$ 127,717

Additional information on the Town's capital assets can be found in Note 6 on pages 34-35 of this report.

Long-term liabilities – At the end of the current fiscal year, the Town had bonded debt outstanding of $84,185. This amount comprises debt backed by the full faith and credit of the Town.

The Town's bond ratings are AA^+ as assigned by Standard & Poor's on June 30, 2017, and Aa1 as assigned by Moody's on June 13, 2017.

Total long-term liabilities consisted of the following (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Government-wide long-term liabilities:						
Certificates of obligation and general obligation bonds	$ 54,056	$ 45,844	$ 30,129	$ 31,111	$ 84,185	$ 76,955
Bond premium on issuance	4,865	3,984	1,951	1,995	6,816	5,979
Net pension liability	2,316	2,210	341	324	2,657	2,534
Compensated absences payable	1,027	779	147	112	1,174	891
Total government-wide long-term liabilities	$ 62,264	$ 52,817	$ 32,568	$ 33,542	$ 94,832	$ 86,359

Additional information on the Town's long-term liabilities can be found in Note 8 on pages 36-38 of this report.

Economic Factors and FY 2017-2018 Budgets and Rates

The Town continues to thrive, with residential and commercial development occurring at the highest levels the Town has ever seen. The resulting increase in property values reflects the commitment of the Council and the efforts of the Prosper Economic Development Corporation (PEDC) to attract quality development. The FY 2017-2018 Adopted Budget addresses the need for increased service levels due to growth. The budget provides essential capital investments in infrastructure and other public improvements, as well as additional public safety resources.

Revenue Projection Highlights

Despite the Town's current and future growth potential and general optimism, the budget was prepared with conservative revenue assumptions in mind.

- The FY 2017-2018 Adopted Ad Valorem Property Tax Rate is set at $0.52 per one hundred dollars taxable

valuation, which marks the eighth straight year of maintaining this property tax rate. Certified property valuations increased by $567.8M (22.30%) for FY 2017-2018. Property values increased from $2,546M to $3,114M. Most of the Town's current values come from Collin County properties, but the Denton County portion almost doubled in value due to new developments. This fiscal year the Town's value in Denton County increased by more than 84% and Collin County increased more than 16%.

- Sales tax revenue is projected to reach $6,165,834, compared to FY 2016-2017's actual amount of $5,071,127. Growth in new business and a general increase in existing retail sales are expected in FY 2017-2018, just as it was in FY 2016-2017.

- Budgeted building permit revenues are expected to increase to $2,747,700 or 3.4% when compared to the FY 2016-2017 Adopted Budget. The Town expects to issue 700 or more new residential permits in FY 2017-2018.

- Licenses and Franchise Fees are projected to rise slightly with population. Municipal Court fines are estimated at $419,580, compared to the FY 2016-2017 budget of $385,000.

- Revenues for the Water and Sewer Fund are expected to increase to $16,768,903. The adopted business plan for the fund identified the need for revenue enhancements to cover existing and future operations and maintenance costs, as well as debt service and contracted sewer costs with the Upper Trinity Regional Water District and North Texas Municipal Water District. The Town has not adjusted rates since 2012 despite the substantial price increases from the North Texas Municipal Water District, the major supplier of water to our residents. In the interest of avoiding a rate shock on the part of the ratepayers, the Town imposed a three-year phase of adjustments needed to fully recover operating and capital costs through revenues starting in FY 2017-2018. The average residential water and wastewater consumer will see an increase of 11% to their monthly charges and an average commercial consumer will see an increase of 12% in their monthly charges. In addition, under the solid waste agreement approved by Town Council in FY 2016-2017, the Town's solid waste provider agreed to hold rates steady for two years. We are in our last year of such contract for solid waste.

Appropriated Budget Highlights

The adopted budget addressed increased service levels in response to continued growth, provided required or money-saving capital investments in infrastructure, included other public improvements, as well as additional public safety resources. The Town has continued to thrive relative to many markets.

Program enhancements and capital expenditures included in the adopted appropriations and planned for FY 2017-2018 are as follows:

Police Operations & Dispatch

Two additional Police Officers and one Police Records Clerk were included in the Police Department budget. Phase I of the Public Safety facility was budgeted in the Capital Improvement Plan.

Fire, EMS & Fire Marshall

Six Firefighter/Paramedics for Station No. 2 along with a new ambulance. An EMS Division Chief and additional overtime were included in the Fire Department budget.

Streets

The Streets Department budget included funding for road repairs on Prosper Trail – Coit to Custer, DNT, Windsong Ranch Phase 2, and Frontier Parkway.

Parks and Recreation

Preston Road monument median and US 380 median design along with four full time staff for library was included in the Parks and Recreation budget.

Water/Wastewater

The budget included funding six full time staff for the Water and Wastewater fund. The major program enhancements and capital item expenses budgeted in FY 2017-2018 include future land purchase for a public works/parks facility and increased cost associated with the purchase of water and management of wastewater for growth.

The following items have also been incorporated into the FY 2017-2018 Adopted Budget:

- The budget includes a revision to the compensation program for employees consistent with the Town Council's goal.

- The new town hall is under construction with anticipated opening date in summer 2018. There have been several budget line items impacted by the opening and streamlining maintenance of the facility.

- Continued partnerships with local entities have produced multiple saving opportunities for shared services or improving our customer service to residents and visitors alike. The Town continues to operate the Community Library in the Reynolds Middle School. Interlocal agreement with PISD to access their fueling facility. The Town renewed its agreements, along with several area cities, with Collin County for animal control and sheltering service. The Town has several agreements with Frisco, including the use of the Frisco GIS for our departments and interlocal agreement for Police and Fire Departments to access their radio system.

- The adopted budget accomplishes Council goals to expand services and competitively compensate staff while holding the line on the tax rate. The budget also included a future five-year financial plan to help manage the decisions made for the next fiscal year and the impact it has on future fiscal responsibilities. The Town's budget addresses the current and future growth and infrastructure expansion demands while recognizing the needs of its residents.

All of these factors were considered in preparing the Town's budget for FY 2017-2018.

Request for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Manager, P. O. Box 307, Prosper, Texas 75078.

TOWN OF PROSPER

This Page Intentionally Left Blank

BASIC FINANCIAL STATEMENTS

TOWN OF PROSPER

This Page Intentionally Left Blank

TOWN OF PROSPER, TEXAS
Statement of Net Position
September 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 36,652,923	$ 4,331,435	$ 40,984,358
Investments	14,724,895	3,005,451	17,730,346
Taxes receivable, net	1,462,124	-	1,462,124
Receivables, net	1,277,493	1,798,807	3,076,300
Accrued interest	49,086	20,434	69,520
Prepaid	60,749	790	61,539
Inventory	-	73,160	73,160
Internal balances	7,398	(7,398)	-
Total Current Assets	54,234,668	9,222,679	63,457,347
Non-current Assets:			
Restricted assets:			
Restricted cash	-	8,376,698	8,376,698
Restricted investments	-	2,327,505	2,327,505
Intangible assets	-	15,267,344	15,267,344
Capital assets:			
Land and construction in progress	38,937,548	7,546,113	46,483,661
Other capital assets, net	74,945,136	32,194,689	107,139,825
Total Non-current Assets	113,882,684	65,712,349	179,595,033
Total Assets	168,117,352	74,935,028	243,052,380
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	1,483,173	217,214	1,700,387
Deferred charges for refunding	997,195	215,244	1,212,439
Total deferred outflows of resources	2,480,368	432,458	2,912,826
LIABILITIES			
Current liabilities:			
Accounts payable	3,709,858	1,939,852	5,649,710
Accrued interest	256,337	140,117	396,454
Unearned revenue	3,007,871	-	3,007,871
Retainage payable	942,721	294,670	1,237,391
Customer deposits and escrow payable	1,664,364	72,100	1,736,464
Due within one year	2,809,090	2,091,983	4,901,073
Total Current Liabilities	12,390,241	4,538,722	16,928,963
Noncurrent liabilities:			
Due in more than one year	59,455,316	30,476,421	89,931,737
Total liabilities	71,845,557	35,015,143	106,860,700
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	146,917	22,248	169,165
Total deferred inflows of resources	146,917	22,248	169,165
NET POSITION			
Net investment in capital assets	63,157,939	12,598,492	75,756,431
Restricted for:			
Debt service	1,933,798	-	1,933,798
Capital projects	5,580,025	4,721,528	10,301,553
Courts	34,808	-	34,808
Unrestricted	27,898,676	23,010,075	50,908,751
Total net position	$ 98,605,246	$ 40,330,095	$ 138,935,341

The accompanying notes are an integral part of these financial statements.

TOWN OF PROSPER, TEXAS
Statement of Activities
For the Year Ended September 30, 2017

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	$ 2,885,666	$ 1,405,086	$ 14,706	$ 84,551
Police	3,026,422	52,770	28,434	-
Dispatch	833,857	-	-	-
Court	303,199	420,345	-	-
Fire	5,092,328	426,285	140,551	-
Streets	5,974,445	-	-	3,649,714
Parks and recreation	3,142,531	147,928	-	2,008,495
Library	214,418	1,936	14,308	-
Engineering	854,522	-	-	-
Inspections	1,426,073	3,245,029	-	-
Code enforcement	176,183	27,030	-	-
Planning	541,238	81,750	-	-
Economic development	1,880,063	-	-	1,126,878
Interest and fiscal charges	1,774,304	-	-	-
Total governmental activities	28,125,249	5,808,159	197,999	6,869,638
Business-type activities				
Water and sewer	14,942,587	14,189,721	-	4,927,139
Storm drainage	266,359	349,352	-	1,022,055
Total business-type activities	15,208,946	14,539,073	-	5,949,194
Total Primary Government	$ 43,334,195	$ 20,347,232	$ 197,999	$ 12,818,832
General Revenues and Transfers				
Property taxes				
Sales and use taxes				
Franchise taxes				
Unrestricted investment earnings				
Miscellaneous revenue				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

(continued)

The accompanying notes are an integral part of these financial statements.

TOWN OF PROSPER, TEXAS
Statement of Activities
For the Year Ended September 30, 2017

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (1,381,323)	$ -	$ (1,381,323)
(2,945,218)	-	(2,945,218)
(833,857)	-	(833,857)
117,146	-	117,146
(4,525,492)	-	(4,525,492)
(2,324,731)	-	(2,324,731)
(986,108)	-	(986,108)
(198,174)	-	(198,174)
(854,522)	-	(854,522)
1,818,956	-	1,818,956
(149,153)	-	(149,153)
(459,488)	-	(459,488)
(753,185)	-	(753,185)
(1,774,304)	-	(1,774,304)
(15,249,453)	-	(15,249,453)
-	4,174,273	4,174,273
-	1,105,048	1,105,048
-	5,279,321	5,279,321
(15,249,453)	5,279,321	(9,970,132)
14,667,871	-	14,667,871
7,038,379	-	7,038,379
967,056	-	967,056
431,313	160,727	592,040
428,275	105,105	533,380
(5,621,863)	5,621,863	-
17,911,031	5,887,695	23,798,726
2,661,578	11,167,016	13,828,594
95,943,668	29,163,079	125,106,747
$ 98,605,246	$ 40,330,095	$ 138,935,341

The accompanying notes are an integral part of these financial statements.

TOWN OF PROSPER, TEXAS
Balance Sheet – Governmental Funds
September 30, 2017

	General Fund	Impact Fees Fund
ASSETS		
Cash and cash equivalents	$ 7,453,538	$ 3,657,091
Investments	4,487,348	2,186,322
Taxes receivable (net)	1,062,356	-
Accounts receivable (net)	689,353	-
Accrued interest	17,194	8,377
Due from other funds	7,398	-
Prepaid	60,749	-
Total Assets	$ 13,777,936	$ 5,851,790
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable and accrued expenses	$ 1,158,314	$ 356,739
Unearned revenue	-	-
Retainage payable	-	-
Escrow payable	-	-
Due to other funds	-	-
Total Liabilities	1,158,314	356,739
Deferred Inflows of Resources		
Unavailable revenue:		
Property taxes	33,614	-
Fines and fees	268,917	-
Interest	12,748	6,212
Total Deferred Inflows of Resources	315,279	6,212
Fund Balance		
Nonspendable for:		
Prepaid	60,749	-
Restricted for:		
Debt service	-	-
Capital projects	-	5,488,839
Courts	-	-
Committed for:		
Contingency	3,695,787	-
Assigned	-	-
Unassigned	8,547,807	-
Total Fund Balance	12,304,343	5,488,839
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 13,777,936	$ 5,851,790

(continued)

The accompanying notes are an integral part of these financial statements.

TOWN OF PROSPER, TEXAS
Balance Sheet – Governmental Funds
September 30, 2017

Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 1,343,854	$ 15,090,335	$ 7,937,270	$ 35,482,088
803,397	3,017,518	3,569,584	14,064,169
40,606	-	359,162	1,462,124
-	-	588,140	1,277,493
3,078	11,562	6,344	46,555
-	-	471,687	479,085
-	-	-	60,749
$ 2,190,935	$ 18,119,415	$ 12,932,187	$ 52,872,263
$ 800	$ 1,945,048	136,811	$ 3,597,712
-	3,000,000	6,165	3,006,165
-	942,721	-	942,721
-	-	1,664,364	1,664,364
-	-	471,687	471,687
800	5,887,769	2,279,027	9,682,649
40,606	-	-	74,220
-	-	-	268,917
2,282	8,573	5,007	34,822
42,888	8,573	5,007	377,959
-	-	-	60,749
2,147,247	-	-	2,147,247
-	12,223,073	297,528	18,009,440
-	-	34,808	34,808
-	-	-	3,695,787
-	-	10,315,817	10,315,817
-	-	-	8,547,807
2,147,247	12,223,073	10,648,153	42,811,655
$ 2,190,935	$ 18,119,415	$ 12,932,187	$ 52,872,263

The accompanying notes are an integral part of these financial statements.

This Page Intentionally Left Blank

TOWN OF PROSPER, TEXAS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2017

Total Fund Balances - Governmental Funds	$ 42,811,655
Amounts reported for governmental activities in the statement of net position (page 12) are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	112,710,140
Bonds payable will not be liquidated with current financial resources and therefore have not been included in the fund financial statements.	(54,056,400)
Accrued liabilities for compensated absences will not be liquidated with current financial resources and therefore have not been included in the fund financial statements.	(1,027,417)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	(256,337)
Premiums ($4,864,587) on bond issuances less deferred losses on bond refunding of ($997,195) are recorded as other financing sources and uses when paid in the fund financial statements but are capitalized and amortized in the government-wide financial statements over the life of the bonds.	(3,867,392)
Receivables from property taxes and fines and fees are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the fund financial statements.	377,959
Included in the items related to debt is the recognition of the Town's proportionate share of the net pension liability in the amount of $2,316,002, a deferred outflow of resources of $1,483,173 and a deferred inflow of resources of $146,917. The net effect is to decrease net position.	(979,746)
The Town uses an internal service fund to charge the costs of the medical reimbursement program and the vehicle and equipment replacement program to appropriate departments in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect is to increase net position.	2,892,784
Net Position of Governmental Activities	$ 98,605,246

The accompanying notes are an integral part of these financial statements.

TOWN OF PROSPER, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Impact Fees Fund
REVENUES		
Taxes:		
Property	$ 10,454,610	$ -
Sales	5,271,470	-
Franchise	967,056	-
Licenses and permits	3,082,055	-
Charges for services	602,306	-
Impact fees	-	3,305,037
Escrow income	-	-
Grants	141,362	-
Investment income	98,200	45,074
Fines, fees, warrants, and seizures	2,071,325	-
Contributions	-	-
Miscellaneous	425,877	-
Total Revenues	23,114,261	3,350,111
EXPENDITURES		
Current:		
General government	2,435,549	-
Police	3,001,464	-
Dispatch	714,270	-
Court	284,544	-
Fire	4,847,396	-
Streets	883,026	2,658,101
Parks and recreation	2,211,773	-
Library	210,618	-
Engineering	834,973	-
Inspection	1,399,903	-
Code enforcement	174,244	-
Planning	531,550	-
Non-departmental	523,403	-
Economic development	-	-
Capital outlay	426,220	862,621
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
Bond issue costs and fees	-	-
Total Expenditures	18,478,933	3,520,722
Excess (Deficiency) of Revenue over Expenditures	$ 4,635,328	$ (170,611)
OTHER FINANCING SOURCES (USES)		
Issuance of debt	$ -	$ -
Premium on issuance of bonds	-	-
Transfer in	1,143,666	-
Transfer out	(3,503,025)	(6,760,161)
Total Other Financing Sources (Uses)	(2,359,359)	(6,760,161)
Net change in fund balances	2,275,969	(6,930,772)
Fund balances, beginning (as previously stated)	10,028,374	12,419,611
Fund balances, ending	$ 12,304,343	$ 5,488,839

(continued)

The accompanying notes are an integral part of these financial statements.

TOWN OF PROSPER, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 4,448,579	$ -	$ 397,653	$ 15,300,842
-	-	1,766,909	7,038,379
-	-	-	967,056
-	-	-	3,082,055
-	-	-	602,306
-	-	1,126,878	4,431,915
-	-	84,551	84,551
-	-	606,493	747,855
26,147	147,921	62,013	379,355
-	-	19,519	2,090,844
-	-	1,458,639	1,458,639
-	-	2,398	428,275
4,474,726	147,921	5,525,053	36,612,072
-	-	-	2,435,549
-	-	9,103	3,010,567
-	-	-	714,270
-	-	13,324	297,868
-	-	2,431	4,849,827
-	-	-	3,541,127
-	-	37,672	2,249,445
-	-	-	210,618
-	-	-	834,973
-	-	-	1,399,903
-	-	-	174,244
-	-	-	531,550
-	-	-	523,403
-	-	1,709,191	1,709,191
-	22,247,634	230,852	23,767,327
2,362,950	-	-	2,362,950
1,788,454	-	-	1,788,454
17,800	139,254	-	157,054
4,169,204	22,386,888	2,002,573	50,558,320
$ 305,522	$ (22,238,967)	$ 3,522,480	$ (13,946,248)
$ -	$ 10,575,000	$ -	$ 10,575,000
-	1,155,110	-	1,155,110
-	4,156,282	1,628,258	6,928,206
-	(45,000)	(2,321,390)	(12,629,576)
-	15,841,392	(693,132)	6,028,740
305,522	(6,397,575)	2,829,348	(7,917,508)
1,841,725	18,620,648	7,818,805	50,729,163
$ 2,147,247	$ 12,223,073	$ 10,648,153	$ 42,811,655

The accompanying notes are an integral part of these financial statements.

TOWN OF PROSPER, TEXAS
Reconciliation of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

Net Change in Fund Balances - Governmental Funds	$ (7,917,508)
Amounts reported for governmental activities in the statement of activities (pages 13 - 14) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($23,767,327) exceeds depreciation expense ($3,846,212).	19,921,115
Governmental funds do not recognize assets contributed by others. However, in the statement of activities, the fair market value of those assets are recognized as revenue then allocated over their estimated useful lives and reported as depreciation expense.	344,677
Assets were disposed of that were not fully depreciated. The loss is reported on the government-wide financial statements.	(25,228)
Principal payments on bonds payable are expenditures or other financing uses in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	2,362,950
Deferred losses on refunding and premiums are amortized over the life of the bonds in the government-wide financial statements. This is the current year amortization.	214,932
Proceeds from bond premiums are recorded as other financing sources in the fund financial statements, but increases liabilities in the government-wide financial statements.	(1,155,110)
Proceeds from issuance of bonds are recorded as other financing sources in the fund financial statements but increases liabilities in the government-wide financial statements.	(10,575,000)
Additions to liabilities for compensated absences are not shown in the fund financial statements. The net effect of the current year's increase is to decrease net position.	(248,931)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The increase in interest accrual decreases net position.	(43,728)
The Town uses an internal service fund to charge the costs of the medical program and the vehicle and equipment replacement program to the appropriate departments in other funds. The change in net position of the internal service fund is reported with governmental activities.	390,365
Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Changes in the net pension liability caused changes in net position to decrease in the amount of $105,895. The City's share of the unrecognized deferred inflows and outflows as of the measurement date must be amortized and the City's proportionate share of the pension expense must be recognized. These cause the change in net position to increase in the amount of $64,134. The net effect is a decrease in net position.	(41,761)
Revenues from property taxes and fines are deferred in the fund financial statements until they are considered available to fund current expenditures, but such revenues are recognized in the government-wide statements. The effect of recognizing deferred tax, income and fines revenue of $377,959 and removing prior year's deferred tax recognized of $943,154 is to increase net position.	(565,195)
Change in Net Position of Governmental Activities	$ 2,661,578

The accompanying notes are an integral part of these financial statements.

TOWN OF PROSPER, TEXAS
Statement of Net Position – Proprietary Funds
September 30, 2017

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Stormwater Drainage Fund	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 4,331,435	$ -	$ 4,331,435	$ 1,170,835
Investments	2,795,015	210,436	3,005,451	660,726
Receivables, net	1,741,725	57,082	1,798,807	-
Due from other funds	263,741	-	263,741	-
Inventory	73,160	-	73,160	-
Accrued interest	19,628	806	20,434	2,531
Prepaids	790	-	790	-
Total Current Assets	9,225,494	268,324	9,493,818	1,834,092
Noncurrent Assets:				
Restricted cash and cash equivalents	6,265,090	2,111,608	8,376,698	-
Restricted investments	2,327,505	-	2,327,505	-
Intangible assets	15,267,344	-	15,267,344	-
Capital assets				
Nondepreciable	6,164,703	1,381,410	7,546,113	-
Depreciable, net	31,164,931	1,029,758	32,194,689	1,172,544
Total Noncurrent Assets	61,189,573	4,522,776	65,712,349	1,172,544
Total Assets	70,415,067	4,791,100	75,206,167	3,006,636
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	201,836	15,378	217,214	-
Deferred charges for refunding	215,244	-	215,244	-
Total Deferred Outflows of Resources	417,080	15,378	432,458	-
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	1,936,033	3,819	1,939,852	112,146
Deposits and funds held in escrow	72,100	-	72,100	-
Due to other funds	7,398	263,741	271,139	-
Accrued interest	127,834	12,283	140,117	-
Unearned revenue	-	-	-	1,706
Retainage	294,670	-	294,670	-
Current portion of long-term liabilities				
Compensated absences	36,083	-	36,083	-
Bonds payable	1,865,900	190,000	2,055,900	-
Total Current Liabilities	4,340,018	469,843	4,809,861	113,852
Noncurrent Liabilities:				
Compensated absences	108,249	4,179	112,428	-
Net pension liability	317,074	23,596	340,670	-
Bonds payable	27,146,550	2,876,773	30,023,323	-
Total Noncurrent Liabilities	27,571,873	2,904,548	30,476,421	-
Total Liabilities	31,911,891	3,374,391	35,286,282	113,852
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	20,655	1,593	22,248	-
Total Deferred Inflows of Resources	20,655	1,593	22,248	-
NET POSITION				
Net investment in capital assets	11,142,489	1,456,003	12,598,492	1,172,544
Restricted for capital projects	4,721,528	-	4,721,528	-
Unrestricted	23,035,584	(25,509)	23,010,075	1,720,240
Total Net Position	$ 38,899,601	$ 1,430,494	$ 40,330,095	$ 2,892,784

The accompanying notes are an integral part of these financial statements.

TOWN OF PROSPER, TEXAS
Statement of Revenues, Expenses and Changes
In Fund Net Position – Proprietary Funds
For the Year Ended September 30, 2017

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Stormwater Drainage Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES				
Water and sewer charges	$ 11,849,476	$ -	$ 11,849,476	$ -
Sanitation charges	1,146,397	-	1,146,397	-
Storm drainage utility fees	-	349,352	349,352	-
Water and sewer connections	1,118,054	-	1,118,054	-
Impact fees	-	-	-	-
Service initiation	75,794	-	75,794	-
Equipment charges	-	-	-	506,809
Health charges	-	-	-	1,717,567
Investment income	-	-	-	15,414
Miscellaneous	105,105	-	105,105	36,217
Total Operating Revenues	14,294,826	349,352	14,644,178	2,276,007
OPERATING EXPENSES				
Personnel services	1,856,693	140,754	1,997,447	-
Materials and supplies	421,820	3,106	424,926	12,820
Contractual services	2,981,134	-	2,981,134	-
Water purchases	3,829,953	-	3,829,953	-
Depreciation and amortization	1,406,976	33,925	1,440,901	127,181
Health expense	-	-	-	1,787,392
Other operating costs	1,011,993	3,787	1,015,780	39,478
Total Operating Expenses	11,508,569	181,572	11,690,141	1,966,871
Operating Income	2,786,257	167,780	2,954,037	309,136
NON-OPERATING REVENUES (EXPENSES)				
Investment income	143,285	17,442	160,727	1,722
Interest expense	(779,916)	(69,023)	(848,939)	-
Impact fees	3,881,131	-	3,881,131	-
Developer payments	(2,653,702)	-	(2,653,702)	-
Bond issuance cost	(400)	(15,764)	(16,164)	-
Total Non-operating Revenues (Expenses)	590,398	(67,345)	523,053	1,722
Income before contibutions and transfers	3,376,655	100,435	3,477,090	310,858
Capital contributions	1,046,008	1,022,055	2,068,063	-
Transfers in	8,370,082	1,381,410	9,751,492	79,507
Transfers out	(2,888,638)	(1,240,991)	(4,129,629)	-
Change in net position	9,904,107	1,262,909	11,167,016	390,365
Net position - beginning	28,995,494	167,585	29,163,079	2,502,419
Net position, at end of year	$ 38,899,601	$ 1,430,494	$ 40,330,095	$ 2,892,784

The accompanying notes are an integral part of these financial statements.

TOWN OF PROSPER, TEXAS
Statement of Cash Flows – Proprietary Funds
For the Year Ended September 30, 2017

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Stormwater Drainage	Total Enterprise	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	$ 14,033,317	$ 344,817	$14,378,134	$ -
Cash contributions for vehicle and equipment replacements	-	-	-	571,779
Cash payments to suppliers for goods and services	(6,753,617)	(5,724)	(6,759,341)	(12,820)
Cash contributions for self insurance	-	-	-	1,719,273
Cash payments for vehicle and equipment replacements	-	-	-	(64,836)
Cash payments for health expense	-	-	-	(1,675,871)
Cash payments to employees for services	(1,816,214)	(138,916)	(1,955,130)	-
Net cash provided by operating activities	5,463,486	200,177	5,663,663	537,525
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(1,507,228)	(1,240,991)	(2,748,219)	-
Transfers from other funds	8,370,082	-	8,370,082	79,507
Advances to other funds	(1,646,130)	953,614	(692,516)	(942,259)
Net cash provided (used) by noncapital financing activities	5,216,724	(287,377)	4,929,347	(862,752)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES				
Proceeds from the issuance of debt	-	990,000	990,000	-
Premiums received on long-term debt	-	110,839	110,839	-
Bond issuance cost paid on long-term debt	(400)	(15,764)	(16,164)	-
Principal paid on bonds	(1,822,050)	(150,000)	(1,972,050)	-
Acquisition and construction of capital assets	(4,049,210)	-	(4,049,210)	(297,176)
Interest paid on bonds	(1,123,593)	(63,262)	(1,186,855)	-
Developer payments	(2,653,702)	-	(2,653,702)	-
Impact fees received	3,881,131	-	3,881,131	-
Net cash provided (used) by capital and related financing activities	(5,767,824)	871,813	(4,896,011)	(297,176)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment purchases	(5,122,520)	(210,436)	(5,332,956)	(660,726)
Interest on deposits and investments	123,657	16,636	140,293	(809)
Net cash used in investing activities	(4,998,863)	(193,800)	(5,192,663)	(661,535)
Net (decrease) increase in cash and cash equivalents	(86,477)	590,813	504,336	(1,283,938)
Cash and cash equivalents at beginning of year	10,683,002	1,520,795	12,203,797	2,454,773
Cash and cash equivalents at end of year	$ 10,596,525	$ 2,111,608	$12,708,133	$ 1,170,835
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 2,786,257	$ 167,780	$ 2,954,037	$ 309,136
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,406,976	33,925	1,440,901	127,181
Decrease (increase) in accounts receivable	(254,819)	(4,535)	(259,354)	13,339
(Increase) in prepaid	(790)	-	(790)	-
Increase in accounts payable	1,491,283	1,169	1,492,452	86,163
Increase in unearned revenue	-	-	-	1,706
Increase in net pension liability	14,292	2,759	17,051	-
Increase in deferred outflows	(17,605)	(3,033)	(20,638)	-
Decrease in deferred inflows	8,977	744	9,721	-
Increase (decrease) in compensated absences	34,815	1,368	36,183	-
Decrease in customer deposits	(5,900)	-	(5,900)	-
Net cash provided by operating activities	$ 5,463,486	$ 200,177	$ 5,663,663	$ 537,525
Reconcilliation of cash and cash equivalents to the statement of net position:				
Cash and cash equivalents	$ 4,331,435	$ -	$ 4,331,435	$ 1,170,835
Restricted cash and cash equivalents	6,265,090	2,111,608	8,376,698	-
Total cash and cash equivalents	$ 10,596,525	$ 2,111,608	$12,708,133	$ 1,170,835

The accompanying notes are an integral part of these financial statements.

This Page Intentionally Left Blank

TABLE OF CONTENTS

Note 1: ..... Summary of Significant Accounting Policies 25
Note 2: ..... Stewardship, Compliance, and Accountability 30
Note 3: ..... Deposits and Investments 30
Note 4: ..... Fair Value Measurements 32
Note 5: ..... Receivables 33
Note 6: ..... Capital Assets 34
Note 7: ..... Interfund Receivables, Payables, and Transfers 35
Note 8: ..... Long-term Liabilities 36
Note 9: ..... Restricted Assets 39
Note 10: ..... Assigned Fund Balance 39
Note 11: ..... Risk Management 39
Note 12: ..... Texas Municipal Retirement System 40
Note 13: ..... Tax Abatements 43
Note 14: ..... Commitments and Contingencies 44
Note 15: ..... Subsequent Events 44

This Page Intentionally Left Blank

Note 1: Summary of Significant Accounting Policies

The financial statements of the Town of Prosper have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

Reporting Entity

The Town is a municipal corporation governed by an elected seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and its component unit entity for which the Town is considered to be financially accountable.

Blended Component Unit

The Prosper Economic Development Corporation (EDC) serves all citizens of the Town and is governed by a board appointed by the Town's elected council. The Town and the EDC board work in tandem in determining desirable and eligible economic development projects; however, since the EDC board members serve at the pleasure of the Town Council, the Town Council is ultimately responsible for economic development projects undertaken by the Town. The scope of public service of the EDC benefits the Town and its citizens and is operated primarily within the geographic boundaries of the Town. The EDC is presented as a governmental fund type and has a September 30 year end. The EDC is reflected as a blended component unit as a result of the component unit providing services almost entirely to the primary government and for the benefit of the primary government.

Complete financial statements for the EDC may be obtained at the entity's administration office, Prosper Economic Development Corporation, P. O. Box 1060, Prosper, Texas 75078.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from a certain legally separate *component unit* for which the primary government is financially accountable. The Fiduciary fund and any fiduciary activities of the Town are not included in these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Impact Fee Fund*, a special revenue fund, accounts for revenues that are legally restricted for particular purposes. This fund is used to account for activity related to impact fees.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds.

The *Capital Projects Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The Town reports the following major proprietary funds:

The *Water and Sewer Fund*, an enterprise fund, is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Town's water and sewer fund is used to account for water, sewer and sanitation operations.

The *Stormwater Drainage Fund*, an enterprise fund, is used to account for the Town's stormwater drainage utility operations.

The *Internal Service Fund* is used to accumulate and allocate costs internally among the Town's various functions. The Town uses its Internal Service Fund to account for its vehicle and equipment replacement program and employee medical reimbursement program as well as to facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because these services predominately benefit the governmental rather than the business-type functions, they have been included within governmental activities in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are general and administrative fees, street rental fees and other charges between the Town's water and sewer function and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. The proprietary funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of

sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Town.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain resources set aside for the repayment of bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also included in restricted assets are capital recovery fees (impact fees) that are, by law, restricted for future capital improvements; and assets set aside for construction of future debt funded capital improvements. When the Town incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has items that qualify for reporting in this category. They include deferred charges on bond refundings reported in the government-wide statement of net position, as well as deferred outflows related to the Town's pension with TMRS.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item arising only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet as a deferred inflow of resources. The governmental funds report unavailable revenues from property taxes and fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Town also has deferred inflows reported in the statement of net position related to the Town's pension with TMRS.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, as well as in the proprietary fund statement of net position. Capital assets are defined by the Town as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Donated assets received in a service concession arrangement are reported at acquisition value rather than fair value.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. During the year ended September 30, 2017, $212,994 of interest was capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Asset Type	Number of Years
Buildings	20 - 30
System infrastructure	15 - 45
Street infrastructure	25 - 30
Equipment	5 - 10
Vehicles	4 - 7

Intangible Assets

Intangible assets are reported in the business-type activities column in the government-wide financial statements as well as in the proprietary fund statement of net position. Intangible assets with an initial, individual cost of more than $5,000 and an estimate useful life in excess of two years are recorded at historical cost or estimate historical cost if purchased or constructed. Once placed into service, the intangible asset is amortized over its estimated useful life. As of September 30, 2017, the Town's only intangible asset was related to wastewater treatment capacity rights acquired from the Upper Trinity Regional Water District. Although the capacity rights were initially acquired in March 2014, the related plant facility was not placed into service as of September 30, 2017, and in the current year amortization of $311,578 has been recognized in these financial statements.

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Health Claims Liability

The Internal Service fund includes an estimate of liabilities for self-insured claims incurred but not reported and are expected to be paid within one year. As of September 30, 2017 $80,682 is estimated an included in accounts payable and accrued expenses in the statement of net position.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and

amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position and Fund Balance

In the government-wide and proprietary fund financial statements, the Town reports restrictions of net position for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Net investment in capital assets represents the Town's investment in the book value of capital assets, less any unspent proceeds from capital-related debt issuances. Unrestricted net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

The Town classifies governmental fund balances in accordance with Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*:

Nonspendable fund balance includes amounts that are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined and approved by passage of a formal resolution of the Town's highest level of decision-making authority, the Town Council. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally. In accordance with the Town Charter, an amount equal to twenty percent of total general fund expenditures has been identified as committed for a contingency reserve.

Assigned fund balance includes amounts intended to be used by the Town for specific purposes. Pursuant to Ordinance 11-66, the Town Council designated the Town Manager or his/her designee as the official authorized person to assign fund balance. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. At September 30, 2017, the Town had assigned fund balances for specific purposes including parks and recreation in the amount of $10,316.

Unassigned fund balance is the residual classification of the general fund and includes all amounts not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount.

The Town uses restricted amounts first when both restricted and unrestricted fund balances are available. Additionally, the Town would use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Town's financial goal is to achieve and maintain an unassigned fund balance in the general fund equal to twenty-five percent of budgeted expenditures, but may be reduced down to ten percent in unusual financial circumstances with a corrective five-year plan to restore the fund balance back to twenty-five percent.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in the financial statements are

depreciation expense which is based on the estimated useful lives of the underlying depreciable assets, allowances for doubtful accounts receivables, and net pension liability which is based on various actuarial assumptions.

Recent Accounting Pronouncements

The Town has reviewed GASB pronouncements which become effective in future years and notes the following statements are applicable to the Town.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – This statement changes the focus of accounting of postemployment benefits other than pensions from how much it costs to adequately fund the benefits over time to a point-in-time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the Town fiscal year 2018. Management is currently evaluating the impact, if any, this statement will have on the Town's financial statements.

Statement No. 84, *Fiduciary Activities* – This statement establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will become effective for the Town in fiscal year 2020. Management is currently evaluating the impact, if any, this statement will have on the Town's financial statements.

Statement No. 87, *Leases* – This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classifies as operating leases. This statement will become effective for the Town in fiscal year 2021. Management is currently evaluating the impact, if any, this statement will have on the Town's financial statements.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform with the 2017 financial statement presentation. These reclassifications had no effect on changes in fund balances or net position.

Note 2: Stewardship, Compliance, and Accountability

Budgetary Control

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the General Fund, Impact Fee Fund, Debt Service Fund, Water and Sewer Fund, and Storm Drainage Fund. Project length financial plans are adopted for all capital project funds.

Note 3: Deposits and Investments

Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. All deposits of the Town that exceeded the federal depository insurance coverage level of $250,000 per account were covered by collateral pledging financial institution's trust department or agent in the Town's name and/or irrevocable standby letters of credit. The market value of the collateral held at September 30, 2017 was $25,000,000.

At September 30, 2017, the carrying amount of the City's deposits was $16,667,933, and the respective bank balances totaled $16,570,300. The Towns' cash on hand totaled $4,825.

Investments

The Town is authorized to invest in the following: U.S. Government obligations and its agencies or instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; other obligations, the principal and interest

on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or United States or their respective agencies and instrumentalities; obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating; insured or collateralized certificates of deposit, no-load SEC registered money market funds consisting of any of these securities listed with a dollar-weighted average stated maturity of 60 days or less and with an investment objective of a stable net asset value of $1 for each share; eligible investments pools organized and operating in compliance with PFIA; fully collateralized repurchase agreements and reverse repurchase agreements; prime domestic commercial paper; prime domestic bankers' acceptances; guaranteed investment contracts; securities lending program consisting of authorized investments by the Town's investment policy. For additional information see the Town of Prosper's Investment Policy at www.prospertx.gov.

The Town's investments carried at fair value as of September 30, 2017, were:

	Fair Value	Weighted Average Maturity (days)
Investment type:		
Certificates of deposit	$ 6,000,701	291
US Government Bonds	12,054,230	364
Municipal Bonds	2,002,920	258
Total	$ 20,057,851	
Portfolio Weighted Average to Maturity		331

Additional the town has investments in government pools at September 30, 2017, totaling $32,688,298, which are recorded at amortized cost.

Under the Texas Local Government Investment Pool ("TexPool") Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office. Due to its short-term, highly liquid nature, TexPool investments have been reported as cash equivalents.

The Texas Short-Term Asset Reserve Investment Pool ("TexSTAR") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. J.P. Morgan Investment Management Inc. serves as investment advisor and co-administrator with First Southwest. TexSTAR invests in treasury and agency securities and repurchase agreements fully collateralized by government securities. The pool maintains a weighted average maturity of 60 days or less. The pool seeks to maintain a constant dollar objective. The reported value of the pool is the same as the fair value of the pool shares. Due to its short-term, highly liquid nature, investments in TexSTAR have been reported as cash equivalents.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the Town's deposits may not be returned to the Town. The Town's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC) and pledged securities. The Town is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.

In compliance with the Public Funds Investment Act, the Town has adopted a deposit and investment policy. That

policy addresses the following risks:

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments are in certificates of deposit.

Credit Risk: This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the Town's policy to limit its investments to those investments rated at least AAAm. The credit quality rating for both TexPool and TexSTAR at year end was AAAm by Standard & Poor's.

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Town manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than four years from the time of purchase; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in short-term securities, money market mutual funds, or similar government investment pools. The maximum allowable maturity for operating funds is five years and two years for debt service funds.

Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. The Town is not exposed to foreign currency risk.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the Town's investment in a single issuer (i.e., lack of diversification). As of September 30, 2017, the Town minimized concentration of credit risk, by: limiting investments in a specific local governmental pools to no more than 40 percent of the investment portfolio; staggering maturities and potential call dates; and limiting investments in commercial paper and bankers' acceptances to no more than 5% of the investment portfolio. Concentration risk is defined as positions of 5 percent (5%) or more in the securities of a single issuer. Investments that individually represent 5% or more of net portfolio assets are stated below.

Securities by Issuer	Fair Value	% of Total Portfolio
Federal Home Loan Bank (FHLB)	9,060,980	45.17%
Federal Home Loan Mortgage Corporation (FHLMC)	2,993,250	14.92%
Hudson County	2,002,920	9.99%
CD's	6,000,701	29.92%
Total Securities	20,057,851	100%

Note 4: Fair Value Measurements

In Fiscal Year 2016, the Town adopted GASB 72, which was issued to address accounting and financial reporting issues related to fair value measurements.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs other than quoted market prices for similar assets; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of September 30, 2017:

		Fair Value Measurements Using		
	Fair value as of 9/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Certificates of deposit	$ 6,000,701	$ -	$ 6,000,701	$ -
US Government Bonds	12,054,230	-	12,054,230	-
Municipal Bonds	2,002,920	-	2,002,920	-
Total investments by fair value level	$ 20,057,851	$ -	$ 20,057,851	$ -

Note 5: Receivables

The Town's receivables as of September 30, 2017 consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Govern-mental Funds	Impact Fees Fund	Water and Sewer Fund	Stormwater Drainage Utility Fund	Internal Service Fund	Total
Property taxes	$ 112,374	$ 40,606	$ -	$ -	$ -	$ -	$ -	$ -	$ 152,980
Sales tax	1,028,742	-	-	359,162	-	-	-	-	1,387,904
Utility bills	-	-	-	-	-	1,983,204	57,082	-	2,040,286
Interest	17,194	3,078	11,562	6,344	8,377	19,628	806	2,531	69,520
Other receivables	689,353	-	-	588,140	-	-	-	-	1,277,493
Gross receivables	1,847,663	43,684	11,562	953,646	8,377	2,002,832	57,888	2,531	4,928,183
Less: allowance for uncollectible accounts	(78,760)	-	-	-	-	(241,479)	-	-	(320,239)
Net receivables	$ 1,768,903	$ 43,684	$ 11,562	$ 953,646	$ 8,377	$1,761,353	$ 57,888	$ 2,531	$4,607,944

Property taxes are based on the appraised values provided by the Collin County or Denton County Central Appraisal District, whichever is applicable. Taxes are levied by October 1 of each year. Unpaid property taxes become delinquent on February 1 of the following year. Penalty is calculated after February 1 up to the date collected by the Town at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the Town. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the Town. The Town's current policy is to write-off uncollectible personal property taxes after four years.

Note 6: Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	Balance, October 1, 2016	Additions	Retirements	Transfers	Balance, September 30, 2017
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 6,932,367	$ -	$ -	$ -	$ 6,932,367
Construction in progress	19,476,667	23,348,533	-	(10,820,019)	32,005,181
Total capital assets not being depreciated	26,409,034	23,348,533	-	(10,820,019)	38,937,548
Capital assets being depreciated:					
Buildings and improvements	16,159,655			7,470,732	23,630,387
Equipment	7,891,681	693,530	(108,677)	-	8,476,534
Infrastructure	66,681,502	367,117	-	3,349,287	70,397,906
Total assets being depreciated	90,732,838	1,060,647	(108,677)	10,820,019	102,504,827
Less accumulated depreciation for:					
Buildings and improvements	(4,418,798)	(796,004)	-	-	(5,214,802)
Equipment	(2,987,570)	(649,317)	83,449	-	(3,553,438)
Infrastructure	(16,263,379)	(2,528,072)	-	-	(18,791,451)
Total accumulated depreciation	(23,669,747)	(3,973,393)	83,449	-	(27,559,691)
Total capital assets being depreciated, net	67,063,091	(2,912,746)	(25,228)	10,820,019	74,945,136
Governmental activities capital assets, net	$ 93,472,125	$ 20,435,787	$ (25,228)	$ -	$ 113,882,684
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 5,000	$ -	$ -	$ 150,973	$ 155,973
Construction in progress	3,413,688	4,400,157	-	(423,705)	7,390,140
Total capital assets, not being depreciated	3,418,688	4,400,157	-	(272,732)	7,546,113
Capital assets being depreciated:					
Buildings and systems	36,954,695	2,068,063	-	272,732	39,295,490
Vehicles and equipment	1,283,965	156,717	(15,515)		1,425,167
Total assets being depreciated	38,238,660	2,224,780	(15,515)	272,732	40,720,657
Less accumulated depreciation for:					
Buildings and systems	(6,761,106)	(981,347)	-	-	(7,742,453)
Vehicles and equipment	(651,054)	(147,976)	15,515	-	(783,515)
Total accumulated depreciation	(7,412,160)	(1,129,323)	15,515	-	(8,525,968)
Total capital assets being depreciated, net	30,826,500	1,095,457	-	272,732	32,194,689
Business-type activities capital assets, net	$ 34,245,188	$ 5,495,614	$ -	$ -	$ 39,740,802

Depreciation expense for the year ended September 30, 2017 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 34,522
Police	130,239
Dispatch	105,710
Fire	311,182
Streets	2,464,771
Parks and recreation	902,709
Inspections	20,607
Engineering	3,653
Total	$ 3,973,393
Business-type activities:	
Water and sewer	$ 1,095,398
Stormwater drainage utility	33,925
Total	$ 1,129,323

Note 7: Interfund Receivables, Payables, and Transfers

Interfund balances at September 30, 2017 were as follows:

Due to/from other funds:

Due To Fund	Due From Fund	Amount	Purpose
Nonmajor Governmental	Nonmajor Governmental	$ 461,239	Short-term loans
Nonmajor Governmental	Nonmajor Governmental	10,448	Short-term loans
Water and Sewer	Stormwater Drainage	263,741	Short-term loans
General Fund	Water and Sewer	7,398	Short-term loans
		$ 742,826	

The outstanding balances between funds result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Transfer From	Transfer To	Amount	Purpose
Nonmajor Governmental	Capital Projects Fund	$ 55,060	Capital outlay
Water and Sewer	Capital Projects Fund	425,306	Capital reimbursement
General Fund	Capital Projects Fund	3,432,700	Capital outlay
Stormwater Drainage	Capital Projects Fund	32,400	Capital reimbursement
Impact Fees Fund	Capital Projects Fund	210,816	Capital reimbursement
Water and Sewer	General Fund	1,072,800	Administrative
Stormwater Drainage	General Fund	18,366	Administrative
Nonmajor Governmental	General Fund	7,500	Initial reimbursement
Capital Projects Fund	General Fund	45,000	Recategorized
Stormwater Drainage	Internal Service Fund	60	Administrative
Water and Sewer	Internal Service Fund	540	Administrative
Water and Sewer	Internal Service Fund	8,582	Administrative
General Fund	Internal Service Fund	13,279	Administrative
General Fund	Internal Service Fund	57,046	Administrative
Stormwater Drainage	Water and Sewer	1,190,165	Capital outlay
Impact Fees Fund	Water and Sewer	6,549,345	Separation of impact fees
Nonmajor Governmental	Water and Sewer	630,572	Capital
Water and Sewer	Stormwater Drainage	1,381,410	Transfer CIP
Nonmajor Governmental	Nonmajor Governmental	1,628,258	Correcting source of funds
		$ 16,759,205	

Note 8: Long-term Liabilities

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds have been issued for both governmental and business-type activities. The certificates of obligation will be repaid by the debt service fund in combination with system revenues.

The following is a summary of long-term liabilities for the year ended September 30, 2017:

	Balance 10/1/2016	Issued	Refunded/ Retired	Balance 9/30/2017	Amount Due Within one Year
Governmental Activities:					
Compensated absences	$ 778,486	$ 1,005,098	$ (756,167)	$ 1,027,417	$ 254,990
Net pension liability	2,210,107	105,895	-	2,316,002	-
Bonds	45,844,350	10,575,000	(2,362,950)	54,056,400	2,554,100
Bond premium on issuance	3,984,327	1,155,110	(274,850)	4,864,587	-
Total Governmental	52,817,270	12,841,103	(3,393,967)	62,264,406	2,809,090
Business-type Activities:					
Compensated absences	112,328	137,104	(100,921)	148,511	36,083
Net pension liability	323,619	17,051	-	340,670	-
Bonds	31,110,650	990,000	(1,972,050)	30,128,600	2,055,900
Bond premium on issuance	1,995,207	110,839	(155,423)	1,950,623	-
Total Business-type	33,541,804	1,254,994	(2,228,394)	32,568,404	2,091,983
Total Primary Government	$ 86,359,074	$ 14,096,097	$ (5,622,361)	$ 94,832,810	$ 4,901,073

The Town is not currently subject to any legal debt margin requirements.

Bonds, certificates of obligation, and tax notes at September 30, 2017 are comprised of the following issues for the Debt Service Fund, the Water and Sewer Fund, and the Stormwater Drainage Utility Fund:

	Governmental Activities	Business-Type Activities	Total
2008 Certificates of Obligation (90% debt service fund portion and 10% water and sewer fund portion) issued December 2, 2008, and maturing February 15, 2011 to February 15, 2021. Interest payable February 15 and August 15 at rates ranging from 2.% to 5.0%.	$ 558,000	$ 62,000	$ 620,000
2011 General Obligation Refunding and Improvement bonds (39% debt service fund portion and 61% water and sewer fund portion) issued September 1, 2011, and maturing February 15, 2018. Interest payable February 15 and August 15 at rates ranging from 1.75% to 2.0%.	117,000	183,000	300,000
2012 General Obligation Bonds (100% debt service fund) issued June 15, 2012, and maturing February 15, 2032. Interest payable February 15 and August 15 at rates ranging from 1.38% to 3.25%.	3,335,000	-	3,335,000
2012 Certificates of Obligation (83% water and sewer fund portion and 17% stormwater drainage fund portion) issued June 15, 2012, maturing February 15, 2032. Interest payable February 15 and August 15 at rates ranging from .40% to 3.25%.	-	4,885,000	4,885,000
2013 General Obligation Refunding Bonds (100% debt service fund) issued June 15, 2013, maturing August 15, 2033. Interest payable February 15 and August 15 at rates ranging from 2.0% to 4.0%.	3,240,000	-	3,240,000
2013 Certificates of Obligation (100% water and sewer fund) issued June 15, 2013, maturing August 15, 2033. Interest payable February 15 and August 15 at rates ranging from 2.0% to 4.0%.	-	4,435,000	4,435,000
2014 General Obligation Improvement Bonds (47% debt service fund portion and 53% water and sewer fund portion) issued February 15, 2014, maturing February 15, 2034. Interest payable February 15 and August 15 at rates ranging from 2.0% to 5.0%.	2,640,000	2,850,000	5,490,000

(continued)

	Governmental Activities	Business-Type Activities	Total
2014 Certificates of Obligation (100% water and sewer fund) issued February 15, 2014, maturing February 15, 2034. Interest payable February 15 and August 15 at rates ranging from 2.0% to 4.0%.	-	11,215,000	11,215,000
2015 General Obligation Refunding and Improvement Bonds (79% debt service fund portion and 21% water and sewer portion) issued July 15, 2015, maturing February 15, 2035. Interest payable February 15 and August 15 at rates ranging from 2.0% to 5.0%.	12,738,500	3,351,500	16,090,000
2015 Certificates of Obligation (100% debt service fund) issued July 15, 2015, maturing February 15, 2035. Interest payable February 15 and August 15 at rates ranging from 2.0% to 5.0%.	8,075,000	-	8,075,000
2016 General Obligation Refunding and Improvement Bonds (84% debt service fund portion and 16% water and sewer fund portion) issued July 12, 2016, maturing February 15, 2036. Interest payable February 15 and August 15 at rates ranging from 2.00% to 4.00%.	5,872,900	892,100	6,765,000
2016 Certificates of Obligation (84% debt service fund portion and 16% stormwater drainage fund portion) issued July 12, 2016, maturing February 15, 2036. Interest payable February 15 and August 15 at rates ranging from 2.00% to 4.00%.	6,905,000	1,265,000	8,170,000
2017 Certificates of Obligation (91% debt service fund portion and 9% stormwater drainage fund portion) issued June 27, 2017, maturing February 15, 2037. Interest payable February 15 and August 15 at rates ranging from 2.00% to 5.00%.	10,575,000	990,000	11,565,000
	$ 54,056,400	$ 30,128,600	$ 84,185,000

The annual requirements to amortize the combined debt outstanding for the Debt Service Fund and Water and Sewer Fund as of September 30, 2017, are as follows:

	Governmental Activities		Business-Type Activities				
Year Ended September 30,	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total Obligation
2018	2,554,100	2,155,807	2,055,900	1,171,239	4,610,000	3,327,046	7,937,046
2019	2,186,800	2,069,945	1,923,200	1,115,418	4,110,000	3,185,363	7,295,363
2020	2,416,600	2,007,510	1,953,400	1,050,828	4,370,000	3,058,338	7,428,338
2021	2,644,200	1,931,296	2,010,800	978,068	4,655,000	2,909,364	7,564,364
2022	2,485,300	1,832,841	2,114,700	890,923	4,600,000	2,723,764	7,323,764
2023-2027	15,533,400	7,318,605	9,361,600	3,175,398	24,895,000	10,494,003	35,389,003
2028-2032	15,486,000	3,744,375	7,919,000	1,501,944	23,405,000	5,246,319	28,651,319
2033-2037	10,750,000	885,988	2,790,000	185,563	13,540,000	1,071,551	14,611,551
Total	54,056,400	21,946,365	30,128,600	10,069,381	84,185,000	32,015,746	116,200,746

Note 9: Restricted Assets

The balances of restricted asset accounts are as follows:

Business-type Activities		Cash	Investments
Water and Sewer Fund	Capital projects (Unspent bond proceeds)	$ 2,628,666	$ 196,881
Water and Sewer Fund	Impact fees	3,564,324	2,130,624
Water and Sewer Fund	Customer deposits/escrow	72,100	-
Stormwater Drainage Fund	Capital projects (Unspent bond proceeds)	2,111,608	-
		$ 8,376,698	$ 2,327,505

Note 10: Assigned Fund Balance

A portion of the Town's governmental fund balances are assigned for the following purposes:

Assigned for:	
Parks and recreation	$ 3,683,496
Special revenue/contributions	1,681,042
Economic development	4,951,279
	$ 10,315,817

Note 11: Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located in Texas. The Town pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and the Property-Liability Fund are considered self-sustaining risk pools that provide coverage for their members for up to $2,000,000 per insured event. The Town also maintains insurance coverage for cyber attacks. There were no significant reductions in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage in any of the past three years.

The Town of Prosper initiated a self-funded health and dental plan effective January 1, 2017 for Town Employees and their dependents. The Town maintains the Employee Health and Insurance Fund to account for the Town's employee health and dental care coverage. In addition, excess insurance of up to $1,000,000 has been obtained for an individual unit health and prescription drugs claims exceeding of $50,000 and the for health claims in the aggregate exceeding $748,922. The Town's claim administrator is Blue Cross Blue Shield of Texas.

Revenues are recognized from payroll deductions and City contributions. At September 30, 2017, a liability of $80,683 has been recorded, which represents estimated claims incurred but not yet reported. Changes in this claims liability during fiscal years 2017 were as follows:

	Balance Beginning of Fiscal Year	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2016-2017	$ -	$ 1,868,075	$ 1,787,392	$ 80,683

Note 12: Texas Municipal Retirement System

Plan Description

The Town participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.TMRS.org*.

All eligible employees of the Town are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Town-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. A member city may elect to increase the annuities of its retirees, either annually or on an annually repeating basis, effective January 1 of a calendar year. The Town has adopted annuity increases as a rate equal to 70% of the increase (if any) in the Consumer Price Index – all Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December one year before the effective date of the increase, minus any previously granted increases.

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. The Town has elected that members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The Town does not provide supplemental death benefits. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

At the December 31, 2016 valuation and measurement date, the following numbers of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	67
Active employees	144
Total	224

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The Town did not change its employee contribution rate during the year. The contribution rates for the Town were 11.68% and 12.37% in calendar years 2015 and 2016, respectively. The Town's contributions to TMRS for the year ended September 30, 2017, were $1,141,217, and were equal to the required contributions.

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the Gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the Gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies performed by TMRS. The most recent experience study was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. As a result of this study, several assumption changes were adopted, including a reduction of the inflation assumption from 3.00% to 2.50% and the investment return assumption from 7.00% to 6.75%. Assumptions are reviewed annually. No other significant changes were made for the actuarial valuation performed on December 31, 2015.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability are summarized in the following table:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2015	$ 12,144,331	$ 9,610,606	$ 2,533,725
Changes for the year:			
Service Cost	1,719,445	-	1,719,445
Interest	874,511	-	874,511
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(103,100)	-	(103,100)
Changes of assumptions	-	-	-
Contributions - employer	-	1,101,478	(1,101,478)
Contributions - employee	-	623,310	(623,310)
Net investment income	-	650,853	(650,853)
Benefit payments, including refunds of employee contributions	(96,666)	(96,666)	-
Administrative expense	-	(7,335)	7,335
Other changes	-	(397)	397
Net changes	2,394,190	2,271,243	122,947
Balance at 12/31/2016	$ 14,538,521	$ 11,881,849	$ 2,656,672

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Town's net pension liability	$ 5,675,645	$ 2,656,672	$ 279,590

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained electronically at *www.TMRS.org*.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the Town recognized pension expense of $1,465,698.

At September 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 186,885	$ 157,289
Changes in actuarial assumptions	-	10,166
Difference between projected and actual investment earnings	372,285	1,710
Contributions subsequent to the measurement date	1,141,217	-
Total	$ 1,700,387	$ 169,165

The $1,141,217 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	
2018	$ 136,038
2019	136,036
2020	118,961
2021	6,248
2022	8,696
Thereafter	(15,974)
Total	$ 390,005

Note 13: Tax Abatements and Economic Incentives

The Town enters into economic development agreements designed to promote development and redevelopment within the Town, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the Town. These programs abate or rebate property tax and sales tax, and include incentive payments and reductions in fees that are not tied to taxes. The Town's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 311 (Tax Increment Financing Act) of the Texas Tax Code. Recipients may be eligible to receive economic assistance based on the employment impact, economic impact, or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or remodeling real property and related infrastructure, expanding operations, or bringing targeted businesses to the Town.

General Economic Development – The Town has entered into various agreements that may rebate a flat amount or percentage of property taxes or sales tax received by the Town, may result in fee reductions such as impact fees or other expenses. For fiscal year 2017, the Town rebated $107,700 in taxes, and reduced fees by $2,714,187 under these agreements.

Tax Increment Reinvestment Zone – The Town has established two tax increment reinvestment zone (TIRZ) districts under Chapter 311, Texas Tax Code to promote local economic development and stimulate business and commercial activity within the Town and to develop and diversify the economy of the state by eliminating unemployment and underemployment and developing or expanding commerce in the state, including the enhancement of land and the Town. Each district has a base year, and incremental property tax revenues exceeding the base year amount are collected into a special revenue fund. Additionally, other taxing entities may participate in the TIRZ districts. Each participating entity's governing body sets the percentage of increment that they will contribute to the TIRZ fund.

In December 2015, Town Council appointed a TIRZ Board to approve final project and finance plan and to enter into a participation agreement that provides participation in the TIRZ. Unlike other contractual obligations, TIRZ grants are subject to availability of TIRZ funds, and any balance owed to a developer at the termination of the TIRZ district will no longer be considered an obligation of the City.

The following table summarizes key statistics of each of the Town's TIRZ districts.

	TIRZ NUMBER	
	1	2
Tax Year Established	2008	2012
Town's Participation	100%	100%
Other Tax Entities	Collin County	Collin County
Participating	50%	50%
Tax Year Terminates	2045	2037

This agreement provides development of approximately 600 acres of land located in the Town of Prosper and known as the Gates of Prosper. This agreement provides for an economic development grant of $58,000,000 plus 3.5% interest compounded annually until paid in full or termination of the agreement. Funding for this grant is contingent upon the availability of tax revenues and impact fee revenues in the TIRZ #1. Interest payments of $383,092 and payment towards construction of $792,914 were made during the fiscal year.

This agreement provides development of approximately 157 acres of land located in the Town of Prosper at the intersection of DNT and US Highway 380. This agreement provides for an economic development grant of $44,199,000 plus 3.5% interest compounded annually until paid in full or termination of the agreement. Funding for this grant is contingent upon the availability of tax revenues and impact fee revenues in the TIRZ #1. Interest payments of $0 and payment towards construction of $153,629 were made during the fiscal year.

Note 14: Commitments and Contingencies

At September 30, 2017, the total estimated costs to complete significant construction projects in progress at year-end totaled approximately $65,856,139 for the Capital Projects Fund.

Note 15: Subsequent Events

Management has evaluated subsequent events through March 9, 2018, the date the financial statements were available to be issued. No changes were made, or are necessary to be made, to the financial statements as a result of this evaluation.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

TOWN OF PROSPER

This Page Intentionally Left Blank

TOWN OF PROSPER, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual – General Fund
For the Year Ended September 30, 2017

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES:				
Taxes				
Property	$ 10,003,217	$ 10,493,899	$ 10,454,610	$ (39,289)
Sales	4,249,600	4,652,191	5,271,470	619,279
Franchise	739,400	739,400	967,056	227,656
Licenses and permits	2,902,930	2,987,834	3,082,055	94,221
Charges for services	421,416	421,416	602,306	180,890
Grants	2,500	2,500	141,362	138,862
Investment income	39,600	39,600	98,200	58,600
Fines, fees, warrants and seizures	1,080,720	1,080,720	2,071,325	990,605
Miscellaneous	55,655	55,655	425,877	370,222
Total Revenues	19,495,038	20,473,215	23,114,261	2,641,046
EXPENDITURES:				
General government	2,479,575	2,477,504	2,435,549	41,955
Court	298,497	304,547	284,544	20,003
Police	2,866,672	3,038,489	3,001,464	37,025
Dispatch	792,817	804,555	714,270	90,285
Fire	4,747,942	5,040,715	4,847,396	193,319
Engineering	853,336	936,263	834,973	101,290
Streets	785,806	836,471	883,026	(46,555)
Parks and recreation	2,498,074	2,443,649	2,211,773	231,876
Library	212,732	226,346	210,618	15,728
Inspections	1,507,169	1,513,664	1,399,903	113,761
Code enforcement	200,131	208,567	174,244	34,323
Planning	557,901	618,060	531,550	86,510
Non-departmental	533,464	523,405	523,403	2
Capital outlay	2,282,484	1,302,702	426,220	876,482
Total Expenditures	20,258,237	19,916,574	18,478,933	1,437,641
Excess of revenues over expenditures	(763,199)	556,641	4,635,328	4,078,687
OTHER FINANCING SOURCES (USES):				
Transfers in	1,091,166	1,136,166	1,143,666	7,500
Transfers out	(1,265,000)	(3,503,025)	(3,503,025)	-
Total Other Financing Sources (Uses)	(173,834)	(2,366,859)	(2,359,359)	7,500
Change in fund balance	(937,033)	(1,810,218)	2,275,969	4,086,187
Fund balance, beginning	10,028,374	10,028,374	10,028,374	-
Fund balance, ending	$ 9,091,341	$ 8,218,156	$12,304,343	$ 4,086,187

TOWN OF PROSPER, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual – Impact Fees Fund
For the Year Ended September 30, 2017

	Impact Fees Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES:				
Impact fees	$ 5,200,000	$ 7,117,987	$ 3,305,037	$ (3,812,950)
Investment income	45,430	45,430	45,074	(356)
Total Revenues	5,245,430	7,163,417	3,350,111	(3,813,306)
EXPENDITURES:				
Streets	900,000	2,824,909	2,658,101	166,808
Capital outlay	6,950,000	7,398,200	862,621	6,535,579
Total Expenditures	7,850,000	10,223,109	3,520,722	6,702,387
Excess of revenues over expenditures	(2,604,570)	(3,059,692)	(170,611)	2,889,081
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Contributions	-	-	-	-
Transfers out	-	(82,161)	(6,760,161)	(6,678,000)
Total Other Financing Sources (Uses)	-	(82,161)	(6,760,161)	(6,678,000)
Change in fund balance	(2,604,570)	(3,141,853)	(6,930,772)	(3,788,919)
Fund balance - beginning (as previously stated)	12,419,611	12,419,611	12,419,611	-
Prior period adjustment	-	-	-	-
Fund balance - beginning (restated)	12,419,611	12,419,611	12,419,611	-
Fund balance, ending	$ 9,815,041	$ 9,277,758	$ 5,488,839	$ (3,788,919)

TOWN OF PROSPER, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
For the Year Ended September 30, 2017

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Total Pension Liability			
Service cost	$ 1,719,445	$ 1,457,871	$ 1,149,110
Interest on total pension liability	874,511	732,791	610,963
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(103,100)	264,111	(114,652)
Change of assumptions	-	(14,368)	-
Benefit payments/refunds of contributions	(96,666)	(71,162)	(47,637)
Net change in total pension liability	2,394,190	2,369,243	1,597,784
Total pension liability, beginning	12,144,331	9,775,088	8,177,304
Total pension liability, ending (a)	$ 14,538,521	$ 12,144,331	$ 9,775,088
Fiduciary Net Position			
Contributions - Employer	$ 1,101,478	$ 914,153	$ 723,677
Contributions - Employee	623,310	539,096	471,670
Net investment income	650,853	12,145	383,420
Benefit payments/refunds of contributions	(96,666)	(71,162)	(47,637)
Administrative expenses	(7,335)	(7,392)	(4,000)
Other	(397)	(365)	(329)
Net change in fiduciary net position	2,271,243	1,386,475	1,526,801
Fiduciary net position, beginning	9,610,606	8,224,131	6,697,330
Fiduciary net position, ending (b)	$ 11,881,849	$ 9,610,606	$ 8,224,131
Net pension liability / (asset), ending = (a) - (b)	2,656,672	2,533,725	1,550,957
Fiduciary net position as a percentage of total pension liability	81.73%	79.14%	84.13%
Covered-employee payroll	$ 8,904,427	$ 7,701,377	$ 6,738,149
Net pension liability as a percentage of covered payroll	29.84%	32.90%	23.02%

This schedule is intended to show information for 10 years. Information for additional years will be displayed as it becomes available.

TOWN OF PROSPER, TEXAS
Schedule of Employer Contributions
Texas Municipal Retirement System
For the Year Ended September 30, 2017

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered-employee Payroll	Actual Contributions as a Percentage of Covered-employee Payroll
2017	$ 1,460,414	$ 1,431,283	29,131	$ 10,850,030	13.2%
2016	$ 1,073,556	$ 1,072,237	1,319	$ 8,678,705	12.4%
2015	$ 842,892	$ 842,892	-	$ 7,560,918	11.1%

This schedule is intended to show information for 10 years. Information for additional years will be displayed as it becomes available.

Note A: Budgetary Procedures

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 16, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. On the first meeting in September, the budget is legally enacted through the passage of an ordinance.

4. The Town Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters total expenditures of any fund must be approved by the Town Council.

5. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund and Impact Fee Fund. Supplemental appropriations were made during the fiscal year for each of these funds.

6. The budgets approved for the Water and Sewer Fund and Stormwater Drainage Fund follow similar approval procedures but depart from accounting principles generally accepted in the United States of America by not including depreciation and amortization in the approved budget. The budgets are for operational purposes and have not been included in the financial statements.

7. The Debt Service and Impact Fee Funds have formal budgets and are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis. The Escrow Fund does not have a formally adopted budget and as a result a budget is not included in the financial statements. The Escrow Fund's activities are significantly impacted by Developer's decisions and the Town does not control those decisions which makes it difficult to budget accurately. The Capital Projects fund also has 5 year financial plan but not a formal budget. The remaining nonmajor governmental funds are budgeted and the budgetary results are reflected in the financial statements.

Note B: Net Pension Liability – Texas Municipal Retirement System

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	28 years
Asset valuation method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.50%, including inflation
Investment rate of return	6.75%

Retirement age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP-2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Changes of Benefit Terms

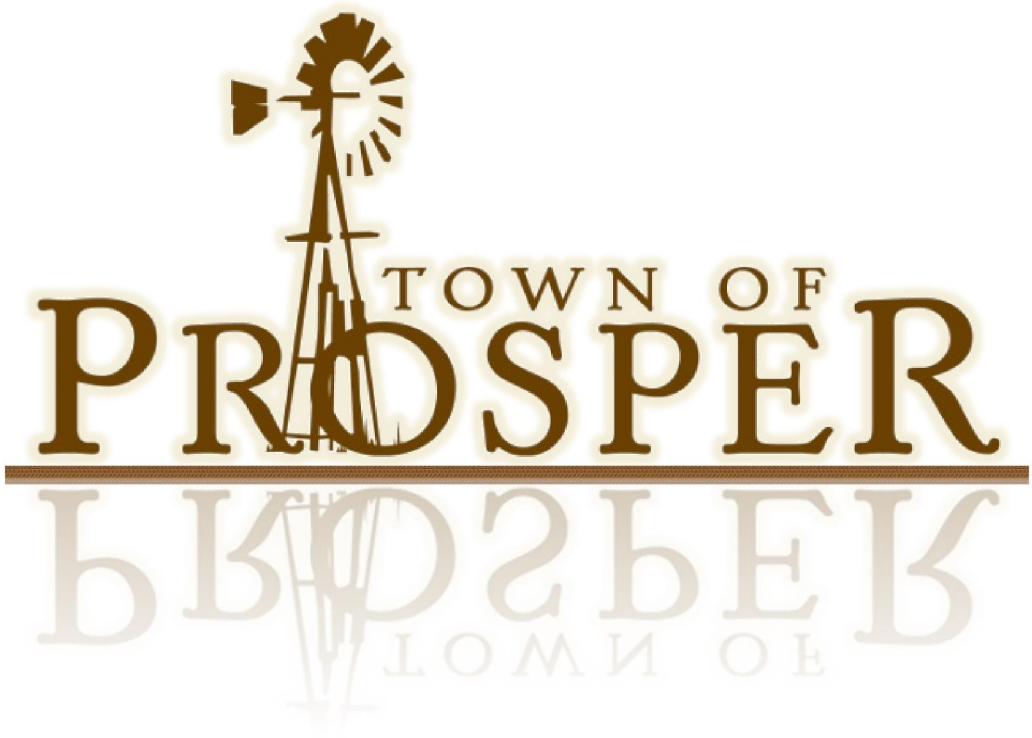
There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

During the measurement period, the inflation assumption was reduced from 3.00% to 2.50% and the investment return assumption was reduced from 7.00% to 6.5%. Additionally, the range of assumed salary increases was changed from 3.50% - 12.00% to 3.50% - 10.50%, and the retirement age experienced-based table was updated based on a recent experience study.



COMBINING AND INDIVIDUAL FUND SCHEDULES

TOWN OF PROSPER

This Page Intentionally Left Blank

TOWN OF PROSPER, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual – Debt Service Fund
For the Year Ended September 30, 2017

	Debt Service Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES:				
Property taxes	$ 4,181,988	$ 4,181,988	$ 4,448,579	$ 266,591
Investment income	18,000	18,000	26,147	8,147
Total Revenues	4,199,988	4,199,988	4,474,726	274,738
EXPENDITURES:				
Debt service:				
Principal	4,161,810	2,362,950	2,362,950	-
Interest and fiscal charges	-	1,798,860	1,788,454	10,406
Bond issue costs and fees	21,000	21,000	17,800	3,200
Total Expenditures	4,182,810	4,182,810	4,169,204	13,606
Change in fund balance	17,178	17,178	305,522	288,344
Fund balance, beginning	1,841,725	1,841,725	1,841,725	-
Fund balance, ending	$ 1,858,903	$ 1,858,903	$ 2,147,247	$ 288,344

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are normally restricted to expenditures for specified purposes.

PROSPER CHRISTMAS FUND - This fund was established to account for contributions received to the Town to provide an annual Christmas event.

COURT TECHNOLOGY FUND – This fund is to account for a misdemeanor offense to pay a technology fee of $4 as technology cost of the court. These funds are used to finance the purchase of or to maintain technology enhancements for the municipal court for the following: computer systems, networks, hardware, and software; electronic kiosks; electronic ticket writers; and docket management systems.

COURT SECURITY FUND – This fund is to account for a misdemeanor offense to pay a $3 security fee as a cost of the court. These funds are used to finance security personnel, services and items related to the facility that house the operations of the municipal court.

ESCROW FUND – This fund is to account for developer contributions that are held in escrow to fund back to developer once project has met the requirements as specified in the agreement approved by Council.

PARKS DEDICATION FUND – This fund is to account for contributions to the Town for the creation of parks with in the Town per development agreements. Fund expenditures must be used for the acquisition, development, expansion or upgrading of parks located within the same park district or general area where the proposed development for which payment was made is located.

PARKS IMPROVEMENT FUND – This fund is to account for contributions to the Town for improvements to Town Parks per development agreements. To repay Developers for the reasonable costs of any park improvements constructed and accepted by the Town. For multifamily development projects and for complete phases of a single-family subdivision plat, the Developer may elect to apply the entire amount to be reimbursed under this Section as a credit against park fees due for the residential development; provided that the application of the credit does not result in a partial fee for any dwelling unit, in accordance with guidelines established by the Town. The Town shall retain sole discretion to determine whether to accept proposed park improvements.

TIRZ 1 Fund – In 2008 the Town designated a certain area of the Town as Tax Increment Reinvestment Zone Number 1. This fund accounts for the restricted revenue sources and reimbursements to the developer for agreed upon expenditures. The Council desires to promote the development or redevelopment of the geographic area by providing the designation of a reinvestment zone.

TIRZ 2 Fund – In 2013 the Town designated an area with the Town as Tax Increment Reinvestment Zone Number 2. Similar to TIRZ 1 the Town as authorized by the Tax Increment Financing Act, Chapter 311 of the Texas Tax Code this geographic area is be utilized to promote development or redevelopment of the area.

CONTRIBUTIONS FUND – This fund is to account for various special revenue sources. Typical revenues seen in this fund would include Police department donations, Fire department donations, Police Seized funds, Child Safety funds, and developer contributions.

ECONOMIC DEVELOPMENT CORPORATION – On May 6, 1995, Town of Prosper voters approved the 4A Sales Tax proposition which increased the sales and use tax by ½ of the 1% for the promotion and development of new and expanded business enterprises. The Corporation is town-chartered and governed by a 7-member Board of Directors appointed by the Town Council. 4A eligible projects include land, buildings, equipment, facilities, improvements, and expenditures related to: light manufacturing, R&D, recycling, small warehouse and corporate headquarters facilities and distribution centers; job training for primary jobs and commercial/retail; infrastructure assistance for commercial/retail projects; business-related sewer utilities and site improvements; business airport facilities and port-related facilities; and general airport facilities.

TOWN OF PROSPER, TEXAS
Combining Balance Sheet – Nonmajor Governmental Funds
For the Year Ended September 30, 2017

	Prosper Christmas Fund	Court Technology Fund	Court Security Fund	Escrow Fund
ASSETS				
Cash and cash equivalents	$ -	$ 5,612	$ 16,273	$ 2,305,205
Investments	-	3,355	9,728	-
Taxes receivable (net)	-	-	-	-
Accounts receivable (net)	-	-	-	-
Accrued interest	-	13	37	-
Due from other funds	10,448	-	-	-
Total Assets	$ 10,448	$ 8,980	$ 26,038	$ 2,305,205
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expenses	$ 4,283	$ -	$ 172	$ 95,051
Unearned revenue	6,165	-	-	-
Escrow payable	-	-	-	1,664,364
Due to other funds	-	-	-	461,239
Total Liabilities	10,448	-	172	2,220,654
Deferred Inflows of Resources				
Unavailable revenue:				
Interest	-	10	28	-
Total Deferred Inflows of Resources	-	10	28	-
Fund Balance				
Restricted for:				
Capital projects	-	-	-	84,551
Courts	-	8,970	25,838	-
Committed for:				
Assigned	-	-	-	-
Total Fund Balance	-	8,970	25,838	84,551
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 10,448	$ 8,980	$ 26,038	$ 2,305,205

(continued)

TOWN OF PROSPER, TEXAS
Combining Balance Sheet – Nonmajor Governmental Funds
For the Year Ended September 30, 2017

Parks Dedication Fund	Parks Improvement Fund	TIRZ 1 Fund	TIRZ 2 Fund	Contributions Fund	Economic Development Corporation	Total Nonmajor Governmental Funds
$ 78,572	$ 641,986	$ 103,294	$ 15,939	$ 1,127,930	$ 3,642,459	$ 7,937,270
2,004,882	383,799	61,752	9,528	96,202	1,000,338	3,569,584
-	-	22,392	-	-	336,770	359,162
-	581,127	-	-	7,013	-	588,140
2,987	1,471	237	37	369	1,193	6,344
-	-	-	-	461,239	-	471,687
$ 2,086,441	$ 1,608,383	$ 187,675	$ 25,504	$ 1,692,753	$ 4,980,760	$ 12,932,187
$ 8,023	$ -	$ -	$ -	$ 990	$ 28,292	$ 136,811
-	-	-	-	-	-	6,165
-	-	-	-	-	-	1,664,364
-	-	-	-	10,448	-	471,687
8,023	-	-	-	11,438	28,292	2,279,027
2,215	1,090	175	27	273	1,189	5,007
2,215	1,090	175	27	273	1,189	5,007
-	-	187,500	25,477	-	-	297,528
-	-	-	-	-	-	34,808
2,076,203	1,607,293	-	-	1,681,042	4,951,279	10,315,817
2,076,203	1,607,293	187,500	25,477	1,681,042	4,951,279	10,648,153
$ 2,086,441	$ 1,608,383	$ 187,675	$ 25,504	$ 1,692,753	$ 4,980,760	$ 12,932,187

TOWN OF PROSPER, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2017

	Prosper Christmas Fund	Court Technology Fund	Court Security Fund	Escrow Fund
REVENUES				
Taxes:				
Property	$ -	$ -	$ -	$ -
Sales taxes	-	-	-	-
Impact fees	-	-	-	-
Escrow income	-	-	-	84,551
Grants	-	-	-	-
Investment income	-	37	143	-
Fines, fees, warrants, and seizures	-	8,974	6,731	-
Contributions	13,706	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	13,706	9,011	6,874	84,551
EXPENDITURES				
Current:				
Police	-	-	-	-
Court	-	-	13,324	-
Fire	-	-	-	-
Parks and recreation	31,759	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	31,759	-	13,324	-
Excess (Deficiency) of Revenue over Expenditures	(18,053)	9,011	(6,450)	84,551
OTHER FINANCING SOURCES (USES)				
Transfer in	18,053	-	-	1,147,847
Transfer out	-	(41)	(136)	(1,147,847)
Total Other Financing Sources (Uses)	18,053	(41)	(136)	-
Net change in fund balances	-	8,970	(6,586)	84,551
Fund balances, beginning	-	-	32,424	-
Fund balances, ending	$ -	$ 8,970	$ 25,838	$ 84,551

(continued)

TOWN OF PROSPER, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2017

Parks Dedication Fund	Parks Improvement Fund	TIRZ 1 Fund	TIRZ 2 Fund	Contributions Fund	Economic Development Corporation	Total Nonmajor Governmental Funds
$ -	$ -	$ 397,653	$ -	$ -	$ -	$ 397,653
-	-	22,392	-	-	1,744,517	1,766,909
-	-	948,249	178,629	-	-	1,126,878
-	-	-	-	-	-	84,551
-	606,493	-	-	-	-	606,493
12,165	8,099	2,712	477	1,237	37,143	62,013
-	-	-	-	3,814	-	19,519
916,665	485,337	-	-	42,931	-	1,458,639
-	-	-	-	2,398	-	2,398
928,830	1,099,929	1,371,006	179,106	50,380	1,781,660	5,525,053
-	-	-	-	9,103	-	9,103
-	-	-	-	-	-	13,324
-	-	-	-	2,431	-	2,431
-	475	-	-	5,438	-	37,672
-	-	1,176,006	153,629	-	379,556	1,709,191
38,750	192,102	-	-	-	-	230,852
38,750	192,577	1,176,006	153,629	16,972	379,556	2,002,573
890,080	907,352	195,000	25,477	33,408	1,402,104	3,522,480
-	-	-	-	462,358	-	1,628,258
-	(262,500)	(7,500)	-	(903,366)	-	(2,321,390)
-	(262,500)	(7,500)	-	(441,008)	-	(693,132)
890,080	644,852	187,500	25,477	(407,600)	1,402,104	2,829,348
1,186,123	962,441	-	-	2,088,642	3,549,175	7,818,805
$ 2,076,203	$ 1,607,293	$ 187,500	$ 25,477	$ 1,681,042	$ 4,951,279	$ 10,648,153

TOWN OF PROSPER, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Net Position
Budget and Actual – Prosper Christmas Fund
For the Year Ended September 30, 2017
(unaudited)

	Prosper Christmas Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES:				
Contributions	$ 12,000	$ 12,000	$ 13,706	$ 1,706
Total Revenues	12,000	12,000	13,706	1,706
EXPENDITURES:				
Parks and recreation	40,000	40,000	31,759	8,241
Total Expenditures	40,000	40,000	31,759	8,241
Excess of revenues over expenditures	(28,000)	(28,000)	(18,053)	9,947
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	18,053	18,053
Total Other Financing Sources (Uses)	-	-	18,053	18,053
Change in fund balance	(28,000)	(28,000)	-	28,000
Fund balance - beginning	-	-	-	-
Fund balance, ending	$ (28,000)	$ (28,000)	$ -	$ 28,000

TOWN OF PROSPER, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Net Position
Budget and Actual – Court Technology Fund
For the Year Ended September 30, 2017
(unaudited)

	Court Technology Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES:				
Fines, fees, warrants, and seizures	$ 9,000	$ 9,000	$ 8,974	$ (26)
Investment income	-	-	37	(37)
Total Revenues	9,000	9,000	9,011	(26)
EXPENDITURES:				
Court	18,000	18,000	-	18,000
Total Expenditures	18,000	18,000	-	18,000
Excess of revenues over expenditures	(9,000)	(9,000)	9,011	18,011
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(41)	(41)
Total Other Financing Sources (Uses)	-	-	(41)	-
Change in fund balance	(9,000)	(9,000)	8,970	17,970
Fund balance - beginning	-	-	-	-
Fund balance, ending	$ (9,000)	$ (9,000)	$ 8,970	$ 17,970

TOWN OF PROSPER, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Net Position
Budget and Actual – Court Security Fund
For the Year Ended September 30, 2017
(unaudited)

	Court Security Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES:				
Fines, fees, warrants, and seizures	$ 7,000	$ 7,000	$ 6,731	$ (269)
Investment income	-	-	143	(143)
Total Revenues	7,000	7,000	6,874	(269)
EXPENDITURES:				
Court	8,179	18,828	13,324	5,504
Total Expenditures	8,179	18,828	13,324	5,504
Excess of revenues over expenditures	(1,179)	(11,828)	(6,450)	5,378
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(136)	(136)
Total Other Financing Sources (Uses)	-	-	(136)	-
Change in fund balance	(1,179)	(11,828)	(6,586)	5,242
Fund balance - beginning	32,424	32,424	32,424	-
Fund balance, ending	$ 31,245	$ 20,596	$ 25,838	$ 5,242

TOWN OF PROSPER, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Net Position
Budget and Actual – Parks Dedication Fund
For the Year Ended September 30, 2017
(unaudited)

	Parks Dedication Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES:				
Contributions	$ 100,000	$ 100,000	$ 916,665	$ 816,665
Investment income	7,000	7,000	12,165	5,165
Total Revenues	107,000	107,000	928,830	821,830
EXPENDITURES:				
Capital outlay	-	534,590	38,750	495,840
Total Expenditures	-	534,590	38,750	495,840
Excess of revenues over expenditures	107,000	(427,590)	890,080	1,317,670
Change in fund balance	107,000	(427,590)	890,080	1,317,670
Fund balance - beginning	1,186,123	1,186,123	1,186,123	-
Fund balance, ending	$ 1,293,123	$ 758,533	$ 2,076,203	$ 1,317,670

TOWN OF PROSPER, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Net Position
Budget and Actual – Parks Improvement Fund
For the Year Ended September 30, 2017
(unaudited)

	Parks Improvement Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES:				
Grants	$ -	$ -	$ 606,493	$ 606,493
Contributions	100,000	362,500	485,337	122,837
Investment income	3,800	3,800	8,099	4,299
Total Revenues	103,800	366,300	1,099,929	733,629
EXPENDITURES:				
Parks and recreation	-	-	475	(475)
Capital outlay	90,000	1,004,260	192,102	812,158
Total Expenditures	90,000	1,004,260	192,577	811,683
Excess of revenues over expenditures	13,800	(637,960)	907,352	1,545,312
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(262,500)	(262,500)	-
Total Other Financing Sources (Uses)	-	(262,500)	(262,500)	-
Change in fund balance	13,800	(900,460)	644,852	1,545,312
Fund balance - beginning	962,441	962,441	962,441	-
Fund balance, ending	$ 976,241	$ 61,981	$ 1,607,293	$ 1,545,312

TOWN OF PROSPER, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Net Position
Budget and Actual – TIRZ 1 Fund
For the Year Ended September 30, 2017
(unaudited)

	TIRZ 1 Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES:				
Property	$ -	$ 227,757	$ 397,653	$ 169,896
Sales taxes	-	-	22,392	22,392
Impact fees	-	948,249	948,249	-
Investment income	-	-	2,712	2,712
Total Revenues	-	1,176,006	1,371,006	192,288
EXPENDITURES:				
	-	1,176,006	1,176,006	-
Total Expenditures	-	1,176,006	1,176,006	-
Excess of revenues over expenditures	-	-	195,000	195,000
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(7,500)	(7,500)
Total Other Financing Sources (Uses)	-	-	(7,500)	(7,500)
Change in fund balance	-	-	187,500	187,500
Fund balance - beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ 187,500	$ 187,500

TOWN OF PROSPER, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Net Position
Budget and Actual – TIRZ 2 Fund
For the Year Ended September 30, 2017
(unaudited)

	TIRZ 2 Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES:				
Impact fees	$ -	$ 153,629	$ 178,629	$ 25,000
Investment income	-	-	477	477
Total Revenues	-	153,629	179,106	25,000
EXPENDITURES:				
	-	153,629	153,629	-
Total Expenditures	-	153,629	153,629	-
Excess of revenues over expenditures	-	-	25,477	25,477
Change in fund balance	-	-	25,477	25,477
Fund balance - beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ 25,477	$ 25,477

TOWN OF PROSPER, TEXAS

Schedule of Revenues, Expenditures and Changes in Fund Net Position
Budget and Actual – Contributions Fund
For the Year Ended September 30, 2017
(unaudited)

	Contributions Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES:				
Investment income	$ 8,000	$ 8,000	$ 1,237	$ (6,763)
Fines, fees, warrants and seizures	-	-	3,814	3,814
Contributions	28,400	28,400	42,931	14,531
Miscellaneous	-	-	2,398	2,398
Total Revenues	36,400	36,400	50,380	13,980
EXPENDITURES:				
Police	25,000	25,000	9,103	15,897
Fire	-	-	2,431	(2,431)
Parks and recreation	14,000	14,000	5,438	8,562
Total Expenditures	39,000	39,000	16,972	22,028
Excess of revenues over expenditures	(2,600)	(2,600)	33,408	36,008
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	462,358	462,358
Transfers out	-	(881,342)	(903,366)	(22,024)
Total Other Financing Sources (Uses)	-	(881,342)	(441,008)	440,334
Change in fund balance	(2,600)	(883,942)	(407,600)	476,342
Fund balance, beginning	2,088,642	2,088,642	2,088,642	-
Fund balance, ending	$ 2,086,042	$ 1,204,700	$ 1,681,042	$ 476,342

TOWN OF PROSPER, TEXAS

Schedule of Revenues, Expenditures and Changes in Fund Net Position
Budget and Actual – Economic Development Corporation
For the Year Ended September 30, 2017
(unaudited)

	Economic Development Corporation			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
REVENUES:				
Sales tax	$ 1,400,000	$ 1,400,000	$ 1,744,517	$ 344,517
Investment income	21,000	21,000	37,143	16,143
Total Revenues	1,421,000	1,421,000	1,781,660	360,660
EXPENDITURES:				
Economic development	575,495	575,495	379,556	195,939
Total Expenditures	575,495	575,495	379,556	195,939
Excess of revenues over expenditures	845,505	845,505	1,402,104	556,599
Change in fund balance	845,505	845,505	1,402,104	556,599
Fund balance - beginning	3,549,175	3,549,175	3,549,175	-
Fund balance, ending	$ 4,394,680	$ 4,394,680	$ 4,951,279	$ 556,599

STATISTICAL SECTION

This Page Intentionally Left Blank

TOWN OF PROSPER, TEXAS
Statistical Section (Unaudited)
Year Ended September 30, 2017

This section of the Town of Prosper's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents **Page**

Financial Trends 68

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity 76

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

Debt Capacity 81

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information 85

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information 87

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

TOWN OF PROSPER, TEXAS
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	Fiscal Year			
	2008	**2009**	**2010**	**2011**
Governmental activities				
Net investment in capital assets	$ 33,422	$ 33,919	$ 37,271	$ 37,366
Restricted	9,809	8,440	5,952	9,359
Unrestricted	4,693	3,704	8,410	6,979
Total governmental activities net position	$ 47,924	$ 46,063	$ 51,633	$ 53,704
Business-type activities				
Net investment in capital assets	$ 3,321	$ 6,804	$ 5,704	$ 5,615
Restricted	42	44	-	-
Unrestricted	6,338	5,929	6,034	7,695
Total business-type activities net position	$ 9,701	$ 12,777	$ 11,738	$ 13,310
Primary government				
Net investment in capital assets	$ 36,743	$ 40,723	$ 42,975	$ 42,981
Restricted	9,851	8,484	5,952	9,359
Unrestricted	11,031	9,633	14,444	14,674
Total primary government net position	$ 57,625	$ 58,840	$ 63,371	$ 67,014

(continued)

TOWN OF PROSPER, TEXAS
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	Fiscal Year					
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
	$ 41,798	$ 43,471	$ 45,398	$ 50,132	$ 60,997	$ 63,158
	10,849	9,882	13,459	18,551	14,275	7,549
	8,432	10,176	10,126	11,485	20,672	27,898
	$ 61,079	$ 63,529	$ 68,983	$ 80,168	$ 95,944	$ 98,605
	$ 6,058	$ 12,643	$ 19,708	21,119	4,772	12,598
	-	-	-	-	-	4,722
	9,090	5,319	3,584	3,351	24,391	23,010
	$ 15,148	$ 17,962	$ 23,292	$ 24,470	$ 29,163	$ 40,330
	$ 47,856	$ 56,114	$ 65,106	$ 71,251	$ 65,769	$ 75,756
	10,849	9,882	13,459	18,551	14,307	12,271
	17,522	15,495	13,710	14,836	45,031	50,908
	$ 76,227	$ 81,491	$ 92,275	$ 104,638	$ 125,107	$ 138,935

TOWN OF PROSPER, TEXAS
Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	Fiscal Year			
Expenses	**2008**	**2009**	**2010**	**2011**
Governmental activities:				
General government	$ 2,063	$ 2,764	$ 2,193	$ 3,075
Public Safety	2,485	3,329	3,869	4,108
Transportation	1,444	1,356	1,609	2,370
Culture and Recreation	130	444	917	728
Economic development	-	-	-	-
Interest on long-term debt	459	1,276	895	1,139
Total governmental activities expenses	6,581	9,169	9,483	11,420
Business-type activities:				
Water, Sewer and sanitation	4,076	4,460	5,140	5,332
Total business-type activities expenses	4,076	4,460	5,140	5,332
Total primary government expenses	10,657	13,629	14,623	16,752
Program Revenues				
Governmental activities:				
Charges for services:				
General government	1,440	561	672	826
Public Safety	162	360	397	400
Transportation	485	-	-	-
Culture and Recreation	418	-	-	-
Operating grants and contributions	452	1,397	2,224	350
Capital grants and contributions				2,908.00
Total governmental activities program revenues	2,957	2,318	3,293	4,484
Business-type activities:				
Charges for services:				
Water, sewer and sanitation	4,507	4,720	5,393	7,238
Capital grants and contributions				
Total business-type activities program revenues	4,507	4,720	5,393	7,238
Total primary government program revenues	7,464	7,038	8,686	11,722
Net (expense) revenue				
Governmental activities	(3,624)	(6,851)	(6,190)	(6,936)
Business-type activities	431	260	253	1,906
Total primary government net expense	$ (3,193)	$ (6,591)	$ (5,937)	$ (5,030)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	4,429	5,296	5,505	5,986
Sales taxes	1,288	1,077	1,309	1,321
Franchise taxes	341	428	399	425
Impact fees and escrow fees	1,828	367	2,688	53
Investment income	596	456	338	155
Miscellaneous	114	74	116	530
Transfers	(1,237)	(2,708)	15	434
Total governmental activities	7,359	4,990	10,370	8,904
Business-type activities:				
Investment income	109	65	74	53
Miscellaneous income	33	43	39	47
Transfers	1,237	2,708	(15)	(434)
Total business-type activities	1,379	2,816	98	(334)
Total primary government	8,738	7,806	10,468	8,570
Change in Net Position				
Governmental activities	3,735	(1,861)	4,180	1,968
Business-type activities	1,810	3,076	351	1,572
Total primary government	$ 5,545	$ 1,215	$ 4,531	$ 3,540

Source: Town financial statements

(continued)

TOWN OF PROSPER, TEXAS
Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

Fiscal Year					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
$ 2,785	$ 2,890	$ 3,698	$ 4,922	$ 4,884	$ 5,884
4,341	5,052	5,610	6,129	7,027	9,256
1,616	1,825	2,667	3,495	6,701	5,974
1,546	1,886	2,462	2,747	2,973	3,357
-	-	-	-	921	1,880
1,108	1,318	1,119	4,409	1,571	1,774
11,396	12,971	15,556	18,764	24,077	28,125
5,476	6,293	7,464	9,282	10,522	15,209
5,476	6,293	7,464	9,282	10,522	15,209
16,872	19,264	23,020	28,046	34,599	43,334
1,992	2,210	2,588	3,428	4,261	4,761
312	352	585	628	796	899
-	-	-	-	-	-
-	2	4	42	98	148
266	93	113	101	127	198
5,356	5,716	5,277	7,907	15,639	6,870
7,926	8,373	8,567	12,106	20,921	12,876
8,021	9,099	9,080	10,918	13,495	14,539
		3,897	-	-	5,949
8,021	9,099	12,977	10,918	13,495	20,488
15,947	17,472	21,544	23,024	34,416	33,364
(3,470)	(4,598)	(6,989)	(6,658)	(3,156)	(15,249)
2,545	2,806	5,513	1,635	2,973	5,279
$ (925)	$ (1,792)	$ (1,476)	$ (5,023)	$ (183)	$ (9,970)
6,392	7,314	8,410	9,967	12,880	14,668
1,942	2,478	2,807	4,355	5,609	7,038
505	520	596	737	737	967
628	-	-	-	-	-
162	167	115	160	277	431
864	582	151	501	281	428
352	(73)	364	521	(1,751)	(5,622)
10,845	10,988	12,443	16,241	18,033	17,910
96	175	105	80	76	161
60	91	76	114	117	105
(352)	73	(364)	(521)	1,751	5,622
(196)	339	(183)	(327)	1,944	5,888
10,649	11,327	12,260	15,914	19,977	23,798
7,375	6,389	5,454	9,583	14,877	2,661
2,349	3,145	5,330	1,308	4,917	11,167
$ 9,724	$ 9,534	$ 10,784	$ 10,891	$ 19,794	$ 13,828

TOWN OF PROSPER, TEXAS
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	Fiscal Year			
	2008	**2009**	**2010**	**2011**
General Fund				
Reserved	$ 18	$ -	$ 3	$ 1
Unreserved	3,989	4,398	4,968	5,568
Nonspendable	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total general fund	$ 4,007	$ 4,398	$ 4,971	$ 5,569
All other governmental funds				
Reserved	$ 622	$ 2,557	$ 577	$ 737
Unreserved, reported in:				
Capital project funds	2,233	16,920	5,337	5,348
Impact fee funds	6,936	5,883	6,239	6,895
Special revenue funds			3,968	3,276
Nonspendable	-	-	-	-
Restricted				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Courts	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	$ 9,791	$ 25,360	$ 16,121	$ 16,256

Source: Balance Sheets-Governmental Funds in Town CAFRs.

(continued)

TOWN OF PROSPER, TEXAS
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	Fiscal Year					
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
	$ -	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-
	9	27	6	2	3	61
	1,715	1,855	2,152	2,588	2,966	3,696
	5,356	5,194	5,430	4,977	7,059	8,547
	$ 7,080	$ 7,076	$ 7,588	$ 7,567	$ 10,028	$ 12,304
	$ -	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	32	-
	5	-	-	-	-	-
	890	1,187	1,159	1,470	1,842	2,147
	16,838	17,799	17,699	27,414	31,040	18,009
	-	-	-	-	-	35
	1,172	1,477	2,371	2,297	7,786	10,316
	$ 18,905	$ 20,463	$ 21,229	$ 31,181	$ 40,700	$ 30,507

TOWN OF PROSPER, TEXAS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(*modified accrual basis of accounting*)
(*amounts expressed in thousands*)
(unaudited)

	Fiscal Year			
	2008	**2009**	**2010**	**2011**
Revenues				
Taxes	$ 6,034	$ 6,738	$ 7,264	$ 7,758
Licenses and permits	3,925	550	672	670
Intergovernmental	452	584	1,109	1,109
Charges for services	161	976	2,858	1,809
Impact fees	-	-	-	-
Fines and forfeitures	247	239	227	393
Investment earnings	596	456	339	154
Contributions	50	59	45	272
Miscellaneous	64	74	116	115
Grants	-	278	1,070	285
Total Revenues	11,529	9,954	13,700	12,565
Expenditures				
General government	2,003	2,225	2,173	2,750
Public safety	2,194	3,007	3,648	3,879
Transportation	352	257	503	1,269
Culture and recreation	97	379	814	653
Economic development	-	-	-	-
Capital outlay	2,108	2,943	13,174	4,112
Debt service				
Principal	399	484	527	936
Interest	481	893	1,600	1,101
Other charges	-	-	-	59
Total Expenditures	7,634	10,188	22,439	14,759
Excess of revenues over (under) expenditures	3,895	(234)	(8,739)	(2,194)
Other financing sources (uses)				
Transfer in	-	232	2,460	1,066
Transfer out	(1,237)	(2,940)	(2,445)	(667)
Proceeds from insurance	-	-	-	426
Issuance of debt	-	13,900	-	2,045
Issuance of refunding debt	-	-	-	-
Premium (discount) on debt issuance	-	-	-	11
Payments to Bond Escrow Agent	-	-	-	-
Capital Leases	14	41	58	-
Net other financing sources (uses)	(1,223)	11,233	73	2,881
Net change in fund balances	$ 2,672	$ 10,999	$ (8,666)	$ 687
Debt service as a percentage of noncapital expenditures	15.9%	19.0%	23.0%	19.1%

Source: Statement of Revenues, Expenditures, and Changes in Fund Balance for Governmental Funds

(continued)

TOWN OF PROSPER, TEXAS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(*modified accrual basis of accounting*)
(*amounts expressed in thousands*)
(unaudited)

Fiscal Year					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
$ 8,850	$ 10,220	$ 11,834	$ 15,076	$ 18,545	$ 23,306
1,571	1,752	2,102	2,645	3,116	3,082
2,863	1,730	-	-	-	-
2,861	3,066	4,353	6,855	3,997	687
-	-	-	-	9,612	4,432
541	647	809	1,194	1,530	2,091
160	166	114	160	276	379
348	1,129	1,216	1,358	2,539	1,459
286	570	151	481	281	428
198	49	28	29	56	748
17,678	19,329	20,607	27,798	39,952	36,612
2,798	2,846	3,685	5,295	5,972	8,571
4,144	4,652	5,137	5,722	6,693	8,873
511	523	912	1,424	4,447	3,541
899	1,167	1,688	1,931	2,159	(211)
-	-	-	-	-	1,709
7,660	9,773	5,719	10,104	21,565	23,767
1,318	1,396	1,638	1,623	1,860	2,363
1,079	1,153	1,163	1,227	1,527	1,788
81	158	10	336	153	157
18,490	21,668	19,952	27,662	44,375	50,558
(812)	(2,339)	655	135	(4,423)	(13,947)
3,509	6,057	1,571	4,104	11,704	6,928
(3,177)	(6,150)	(2,009)	(4,154)	(13,457)	(12,630)
750	12	-	-	-	-
4,712	7,710	3,340	20,919	13,440	10,575
-	-	-	-	-	-
242	169	312	2,397	1,322	1,155
(1,064)	(3,899)	(2,592)	(10,482)	(2,988)	-
-	-	-	-	-	-
4,972	3,899	622	12,783	10,021	6,029
$ 4,160	$ 1,560	$ 1,277	$ 12,918	$ 5,598	$ (7,918)
22.1%	21.4%	19.7%	16.2%	14.8%	15.5%

TOWN OF PROSPER, TEXAS
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(*modified accrual basis of accounting*)
(*amounts expressed in thousands*)
(unaudited)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Total
2008	$ 4,429	$ 1,288	$ 341	$ 6,058
2009	5,296	1,077	428	6,801
2010	5,505	1,309	399	7,213
2011	5,986	1,321	425	7,732
2012	6,392	1,942	505	8,839
2013	7,314	2,478	520	10,312
2014	8,410	2,807	596	11,813
2015	9,967	4,355	737	15,059
2016	12,880	5,609	737	19,226
2017	14,668	7,038	967	22,673

Source: Town CAFRs and detailed financial records

TOWN OF PROSPER, TEXAS

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(*amounts expressed in thousands*)

(unaudited)

Fiscal Year Ended	Total Estimated Market Value as Assessed	Estimated Market Value Real Property	Estimated Market Value Personal Property	Less: Tax Exempt Real Property	Total Taxable[1] Assessed Value	Total Direct Tax Rate	Taxable Assesed Value as a % of Estimated Market Value
2008	$ 1,280,490	$ 1,249,228	$ 31,262	$ 461,769	$ 818,721	0.52000	63.94%
2009	1,502,656	1,470,009	32,647	507,992	994,664	0.52000	66.19%
2010	1,549,887	1,516,169	33,718	503,338	1,046,549	0.52000	67.52%
2011	1,651,676	1,618,179	33,497	504,888	1,146,788	0.52000	69.43%
2012	1,753,522	1,719,190	34,332	522,150	1,231,372	0.52000	70.22%
2013	1,905,100	1,865,370	39,730	557,691	1,347,409	0.52000	70.73%
2014	2,161,596	2,118,602	42,994	604,133	1,557,463	0.52000	72.05%
2015	2,571,540	2,515,525	56,015	686,635	1,884,905	0.52000	73.30%
2016	3,306,744	3,242,618	64,126	994,179	2,312,565	0.52000	69.93%
2017	3,892,829	3,809,490	83,339	1,263,526	2,629,303	0.52000	67.54%

Source: Collin and Denton County Appraisal District Certified Totals and Collin County Tax Assessor-Collector Tax Rolls.

[1]Taxable Assessed Values are net of local option over-65 exemptions, state mandated agricultural exemptions, and disabled veterans' exemptions. This amount may include senior tax freeze ceiling amounts.

TOWN OF PROSPER, TEXAS
Property Tax Rates
Direct and Overlapping Governments
(*per $100 of assessed value*)
Last Ten Fiscal Years
(unaudited)

	Town of Prosper Tax Rate [1]			Overlapping Tax Rates [2]				Total Direct & Overlapping Rates	Total Direct & Overlapping Rates
Fiscal Year	General Government	Debt Service	Total	Prosper ISD	Collin County	Collin College	Denton County	Collin County	Denton County
2008	0.275075	0.244925	**0.520000**	1.670000	0.245000	0.086984	0.235890	**2.521984**	**2.425890**
2009	0.305011	0.214989	**0.520000**	1.670000	0.242500	0.086493	0.235770	**2.518993**	**2.425770**
2010	0.314084	0.205916	**0.520000**	1.640000	0.242500	0.086300	0.249800	**2.488800**	**2.409800**
2011	0.334742	0.185258	**0.520000**	1.630000	0.240000	0.086300	0.273900	**2.476300**	**2.423900**
2012	0.316937	0.203063	**0.520000**	1.670000	0.240000	0.086300	0.277357	**2.516300**	**2.467357**
2013	0.316914	0.203086	**0.520000**	1.670000	0.240000	0.086299	0.282867	**2.516299**	**2.472867**
2014	0.326191	0.193809	**0.520000**	1.670000	0.237500	0.083643	0.284914	**2.511143**	**2.474914**
2015	0.356301	0.163699	**0.520000**	1.670000	0.235000	0.081960	0.262000	**2.506960**	**2.452000**
2016	0.361074	0.158926	**0.520000**	1.670000	0.225000	0.081960	0.248409	**2.496960**	**2.438409**
2017	0.367500	0.152500	**0.520000**	1.670000	0.208395	0.081222	0.237812	**2.479617**	**2.427812**

Source: Collin County and Denton County Appraisal Districts

[1]Tax rate is per $100 of taxable assessed value.

[2]Overlapping rates are those of local and county governments that apply to property owners within the Town of Prosper.

TOWN OF PROSPER, TEXAS
Property Tax Levies and Collections
Last Ten Fiscal Years
(unaudited)

Fiscal Year Ended	Total Tax Levy for Fiscal Year[1]	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy[1]
2008	4,345,264	4,279,374	98.48%	128,865	4,408,239	101.4%
2009	5,218,591	5,080,887	97.36%	191,329	5,272,216	101.0%
2010	5,404,368	5,338,109	98.77%	170,559	5,508,668	101.9%
2011	5,932,358	5,898,857	99.44%	215,274	6,114,131	103.1%
2012	6,380,037	6,323,502	99.11%	322,455	6,645,957	104.2%
2013	7,011,511	6,946,210	99.07%	281,527	7,227,737	103.1%
2014	8,217,550	8,174,411	99.48%	277,725	8,452,136	102.9%
2015	9,730,516	9,704,426	99.73%	271,485	9,975,911	102.5%
2016	12,052,689	11,922,739	98.92%	216,810	12,139,549	100.7%
2017	14,077,378	14,052,156	99.82%	-	14,052,156	99.8%

Note: Taxes stated are for General Fund and Debt Service Funds.

[1]Tax Levy is the original levy as of certification date, and does not include adjustments. The percentage of levy collected may be greater than 100% as payments that relate to levy adjustments are collected.

TOWN OF PROSPER, TEXAS
Principal Property Taxpayers
Fiscal Year End 2017 and 2008
(unaudited)

	2017			2008		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
Blue Star Allen Land, LP	$ 52,227,419	1	1.99%			
380 & 289, LP	47,498,386	2	1.81%			
Orion Prosper Lakes	40,736,927	3	1.55%			
Orion Prosper, LLC	31,793,818	4	1.21%			
First Texas Homes, Inc	25,044,436	5	0.95%			
Kroger Texas, LP	16,759,144	6	0.64%			
Wal-Mart Real Estate Business Trust	14,538,427	7	0.55%			
Meritage Homes of Texas, LLC	13,759,100	8	0.52%			
MQ Prosper Retail, LLC	13,050,693	9	0.50%			
Lowe's Home Centers, LLC	11,750,000	10	0.45%			
Prosper Land Company, Ltd				13,499,041	1	1.65%
Saddle Creek Investments, Ltd				13,302,555	2	1.62%
Sanders Deion Luwynn				12,059,533	3	1.47%
Custer-Prosper LP				11,891,279	4	1.45%
Western Rim Investors 2007-3 LP				7,536,968	5	0.92%
Bighorn Ventures II LTD				6,712,695	6	0.82%
PDC 380 Prosper, Ltd				6,402,887	7	0.78%
Western Rim Investors 2007-4 LP				6,161,563	8	0.75%
Preston Development LTD				6,066,973	9	0.74%
Axxium Land Development LLC				5,579,010	10	0.68%
Totals	$ 267,158,350		10.16%	$ 89,212,504		10.90%

Source: Collin and Denton County Appraisal Districts

TOWN OF PROSPER, TEXAS

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(*amounts expressed in thousands, except per capita amount*)

(unaudited)

	Governmental Activities				Business Type Activities				
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Tax Notes	Capital Leases	General Obligation Bonds	Certificates of Obligation	Total Primary Government	Percentage of Personal Income[1]	Per Capita[1]
2008	-	10,682	-	31	13,813	-	24,526	65.0%	3,862
2009	-	24,136	-	34	13,194	-	37,364	102.9%	5,263
2010	-	22,259	-	51	13,915	-	36,225	92.6%	3,844
2011	-	21,355	2,045	21	13,179	-	36,600	86.0%	3,280
2012	4,552	19,655	1,765	-	18,798	-	44,770	95.6%	3,673
2013	8,216	18,909	1,425	-	23,249	-	51,799	109.1%	3,871
2014	11,255	15,594	1,080	-	35,133	-	63,062	120.4%	4,208
2015	25,214	9,678	725	-	33,106	-	68,723	126.3%	4,303
2016	29,095	16,384	365	-	8,145	22,966	76,955	N/A	4,326
2017[2]	30,477	28,444			8,081	23,998	91,000	N/A	4,514

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

[1] See the Schedule of Demographic and Economic Statistics for personal income and population data.

[2] The amounts include the premium portions of the debt.

N/A: Data not available at the time of this publication

TOWN OF PROSPER, TEXAS
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(*amounts expressed in thousands, except per capita amount*)
(unaudited)

Fiscal Year	General Obligation Bonds	Certificates of Obligation	Less: Amounts Available in Debt Service Funds	Total	Percentage of Actual Taxable Value of Property[1]	Per Capita[2]
2008	13,813	10,682	622	23,873	2.92%	3,760
2009	13,194	24,136	828	36,502	3.67%	5,141
2010	13,915	22,259	614	35,560	3.40%	3,774
2011	13,179	21,355	737	33,797	2.95%	3,028
2012	23,350	19,655	890	42,115	3.42%	3,455
2013	31,465	18,909	1,187	49,187	3.65%	3,676
2014	46,388	15,594	1,159	60,823	3.91%	4,059
2015	58,320	9,678	1,470	66,528	3.53%	4,166
2016	37,240	39,350	1,842	74,748	3.23%	4,202
2017[3]	38,558	52,442	2,147	88,853	3.38%	4,407

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

[1] See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
[2] Population data can be found in the Schedule of Demographic and Economic Statistics
[3] The amounts include the premium portions of the debt.

TOWN OF PROSPER, TEXAS
Direct and Overlapping Governmental Activities Debt
As of September 30, 2017
(unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable[1]	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Prosper Independent School District	$ 446,148,641	68.66%	$ 306,325,657
Collin County	448,071,721	2.11%	9,454,313
Collin College	22,040,248	2.11%	465,049
Denton County	645,305,000	0.23%	1,484,202
Subtotal - overlapping debt	1,561,565,610		317,729,221
Town of Prosper direct debt	$ 58,920,987	100%	58,920,987
Total direct and overlapping debt			$ 376,650,208

Source: Entity adopted budget. Actual amounts of overlapping debt vary based on entity payment schedules and any new issuances.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Prosper. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

[1]The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the Town's boundaries and dividing it by the Town's total taxable assessed value.

TOWN OF PROSPER, TEXAS
Tax Rate Information
Last Ten Fiscal Years
(*rates rounded to 4 places*)
(unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Tax Rate Limit	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Total Tax Rate	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200
Available Tax Rate	$ 1.9800	$ 1.9800	$ 1.9800	$ 1.9800	$ 1.9800	$ 1.9800	$ 1.9800	$ 1.9800	$ 1.9800	$ 1.9800

Note:
For FY 2008- Present, under Article XI, Section 5 of the Texas Constitution, the maximum tax rate under a home rule charter is $2.50 per $100 assessed valuation.

TOWN OF PROSPER, TEXAS
Demographic and Economic Statistics
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Population[1]	Personal Income[2] (expressed in thousands)	Per Capita Personal Income[2]	School Enrollment[3]	Unemployment Rate[4]
2008	6,350	37,747	49,443	2,800	4.8%
2009	7,100	36,323	45,884	3,220	7.6%
2010	9,423	39,133	49,629	3,575	7.1%
2011	11,160	42,579	52,445	3,627	7.1%
2012	12,190	46,837	54,866	4,921	5.7%
2013	13,380	47,458	55,520	5,632	5.1%
2014	14,986	52,359	59,146	6,448	4.6%
2015	15,970	54,420	59,532	7,064	4.4%
2016	17,790	57,483	61,179	8,254	3.4%
2017	20,160	N/A	N/A	10,107	3.0%

[1]Population data estimates from the North Central Texas Council of Governments and Town of Prosper

[2]Personal income and per capita personal income data not available specific to Prosper. Per capita personal income was obtained from www.bea.gov. Estimates reflect county population estimates available as of March 2018.

[3]Enrollment data comes from Prosper ISD.

[4]December 2016 unemployment rate for Collin County from the Texas Workforce Commission Unemployment Rates for Texas Counties data.

N/A: Data not available at the time of this publication

TOWN OF PROSPER

This Page Intentionally Left Blank

TOWN OF PROSPER, TEXAS
Principal Employers
Fiscal Years 2017 and 2010
(unaudited)

	2017		
Employer	**Employees**	**Rank**	**Percentage of Total Town Employment**
Prosper ISD	1,329	1	46.92%
Kroger	620	2	21.89%
Town of Prosper	167	3	5.90%
Dicks/Field & Stream	150	4	5.30%
Lowe's	130	5	4.59%
Gentle Creek	85	6	3.00%
Texas Health Resources	70	7	2.47%
Builders FirstSource	45	8	1.59%
Crossland Construction	44	9	1.55%
CVS	40	10	1.41%
Total	**2,680**		**94.62%**

	2010[1]		
Employer	**Employees**	**Rank**	**Percentage of Total Town Employment**
Prosper ISD	502	1	59.20%
Town of Prosper	72	2	8.49%
Cornerstone Automation Systems	64	3	7.55%
Gentle Creek	50	4	5.90%
Prosper Bank	35	5	4.13%
ProBuild	30	6	3.54%
Lattimore Materials	30	6	3.54%
Mahard Egg Farm	30	6	3.54%
CVS	20	9	2.36%
Southern Star	15	10	1.77%
Total	**848**		**100.00%**

Source: Prosper EDC, updated December 2017

[1]Data not available for 2008, oldest data available is for 2010.

TOWN OF PROSPER, TEXAS
Operating Indicators by Function/Program
Last Ten Fiscal Years
(*dollar amounts below expressed in thousands*)
(unaudited)

Function/Program	Fiscal Year 2008	2009	2010	2011
General Government				
Building Inspection Permits				
Commercial Construction				
Number of Units	23	14	8	13
Total dollar value of permits issued	$ 6,195	$ 4,721	$ 3,150	$ 14,341
Average Value	$ 269	$ 337	$ 394	$ 1,103
Residential Construction				
Number of Units	227	204	299	347
Total dollar value of permits issued	$ 99,110	$ 62,870	$ 79,232	$ 100,084
Average Value	$ 437	$ 308	$ 265	$ 288
Public Safety				
Police				
Physical Arrests	90	88	121	103
Traffic Collisions	72	92	69	148
Number of vehicles	N/A	N/A	N/A	N/A
Fire				
Number of Frontline Engines	1	1	1	1
Number of Reserve Engines	1	1	1	1
Number of Stations	1	1	1	1
Total Incidents/Calls for Service	646	746	776	1,033
Fire	56	45	42	63
Overpressure/Explosion	1	-	-	1
Rescue & EMS	334	379	399	441
Hazardous Condition	38	36	30	38
Service Call	104	116	147	234
Good Intent Call	59	80	61	85
False Alarm & False Call	52	87	95	107
Severe Weather & Natural Disaster	2	3	2	64
Fire Marshal				
Fire Inspections	N/A	94	112	659
Fire Safety Programs	N/A	37	42	20
Municipal Court				
Number of cases filed	1,123	1,762	1,743	2,050
Number of cases closed	1,707	1,592	1,504	1,833
Public Works				
Water & Sewer				
Linear Feet of Water Lines	N/A	N/A	N/A	N/A
Linear Feet of Sewer Lines	N/A	N/A	N/A	N/A
Number of Hydrants	N/A	N/A	N/A	N/A
Water Customers	2,664	2,883	3,080	3,431
Wastewater Customers	2,007	2,137	2,333	2,672
Streets				
Miles of Streets maintained	N/A	N/A	N/A	N/A
Number of Traffic Signals	N/A	N/A	N/A	N/A
Parks				
Number of Parks	11	11	13	13
Number of Playgrounds	2	2	2	5
Acreage maintained	53.4	53.4	59.6	123

(continued)

Source: Town of Prosper Department Staff
N/A: Data not available at the time of this publication.

TOWN OF PROSPER, TEXAS
Operating Indicators by Function/Program
Last Ten Fiscal Years
(*dollar amounts below expressed in thousands*)
(unaudited)

Fiscal Year					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
21	21	29	45	74	108
$ 28,385	$ 4,219	$ 19,172	$ 50,625	$ 122,799	$ 95,793
$ 1,352	$ 201	$ 661	$ 1,125	$ 1,659	$ 887
445	483	474	708	648	715
$ 172,757	$ 195,257	$ 209,949	$ 313,681	$ 316,039	$ 347,484
$ 388	$ 404	$ 443	$ 443	$ 488	$ 486
108	99	115	128	163	205
263	289	279	429	234	322
N/A	N/A	15	15	15	18
1	1	1	1	2	2
1	1	1	1	2	2
1	1	1	1	2	2
1,122	1,057	1,100	1,245	1,537	2,102
67	45	64	30	64	98
11	6	5	-	10	10
585	597	588	583	797	1,072
34	20	29	37	52	60
193	196	212	136	293	344
100	94	101	328	168	265
132	96	95	131	140	244
-	3	6	-	13	9
402	278	283	156	966	1,210
23	14	18	24	12	14
2,025	1,645	2,118	2,439	3,147	3,027
1,688	1,872	2,954	3,605	3,534	3,019
N/A	N/A	579,777	627,900	692,447	786,557
N/A	N/A	428,360	482,838	546,950	619,386
N/A	N/A	N/A	N/A	N/A	1,523
3,853	4,418	4,943	5,539	6,671	7,784
3,084	3,568	4,055	4,627	5,757	6,770
N/A	N/A	125	132	141	153
N/A	N/A	-	1	2	2
15	16	16	21	22	22
5	6	6	7	7	8
136	146	146	178	178	190

TOWN OF PROSPER, TEXAS

Full-time Equivalent Town Government Employees by Function

Last Ten Fiscal Years

(unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GENERAL FUND										
Administration	5	5	5.5	5.5	6.5	8.5	9.0	9.5	12	13
Code Compliance	1	1	1	1	1	1	1	1	1	1
Court	1	1	1	1	1	1	1.5	2.0	2.5	2.5
Dispatch		1	6	7	7	7	7.5	7.5	9	9
Engineering	1	1	1	1	1	3	3	5	6	6
Fire	12.5	18.5	18.5	18.5	20	20	20	32	33	34
Fire Marshal	1	1	1	1	1	1	1	1	1	2
Inspections	7	7	7	7	7	8	9	13	13	13
Library	1	1	1	1	1	1.5	2	3.5	2.5	2.5
Parks	2	2	4	6	10	12	15	16	18	20
Planning	2	3	3	2	2	3	3	4	4	4
Police	8	11	10	11	12	15	15	20	22	27
Streets	2	2	2	2	2	2	2	2	3	3
Total General Fund	44	55	61	64	72	83	89	116.5	127	137
ENTERPRISE FUNDS										
Storm Drainage	-	-	-	1	1	1	1	2	2	2
Utility Billing	2	2	2	2	1.5	2.5	2.5	2.5	3	3
Wastewater	2	2	2	2	3	5	6	4	4	7
Water	5	5	5	5	7	8	10	14	15	18
Total Enterprise Funds	9	9	9	10	13	17	19.5	22.5	24	30
CAPITAL PROJECTS FUND	-	-	1	1	1	1	1	1	-	-
	52.5	63.5	71	75	85	100.5	109.5	140	151	167

Source: Town of Prosper Annual Budget